

The effect of sustainability reporting on corporate value with earnings quality as mediating variable

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Abstract

Sustainable development has become an important issue that has been considered until now. However, with the company's lack of awareness of this, and the absence of firm regulations, sustainable development has received less attention. That's the purpose of this research to examine the effect of sustainability reporting economic, environment, and social aspect on corporate value mediated by earnings persistence, and earnings timeliness. This research used purposive sampling method, so the number of samples was 16 companies for each period from the entire population of non-financial companies listed on the Indonesia Stock Exchange in 2016 – 2019. The data analytical method used in this research was path analysis and mediation hypothesis analysed by using sobel test. The result of analysis shows that sustainability reporting economic aspect has negative but not significant, environment aspect has negative and significant, and social aspect has positive and significant relationship on the earnings persistence. The sustainability reporting economic, environment, and social aspect have positive but not significant effect on the earnings timeliness. Then, sustainability reporting economic aspect has positive but not significant relationship on the corporate value, and environment and social aspect have negative and significant effect on the corporate value. Accordingly with earnings persistence has negative but not significant effect on corporate value. While than, earnings timeliness has positive and significant effect on the corporate value. This research also shows that earnings persistence and earnings timeliness do not mediate the effect of sustainability reporting economic, environment, and social aspect on corporate value.

Keywords: *sustainability reporting, earnings quality, corporate value*

Abstrak

Pembangunan berkelanjutan menjadi isu penting yang diperhatikan hingga kini. Namun, dengan masih kurangnya kesadaran perusahaan akan hal tersebut, dan belum adanya regulasi yang tegas membuat pembangunan berkelanjutan kurang diperhatikan. Hal tersebut menjadi tujuan dari penelitian ini untuk menguji pengaruh sustainability reporting aspek ekonomi, lingkungan, dan sosial terhadap nilai perusahaan yang dimediasi oleh earnings persistence dan

earnings timeliness. Penelitian ini juga menggunakan metode purposive sampling, sehingga jumlah sampel adalah 16 perusahaan untuk setiap periode dari seluruh populasi perusahaan non keuangan yang terdaftar di Bursa Efek Indonesia tahun 2016 – 2019. Metode analisis data yang digunakan dalam penelitian ini adalah analisis jalur (path analysis) dan pengujian hipotesis mediasi menggunakan uji sobel. Hasil penelitian ini menunjukkan bahwa sustainability reporting aspek ekonomi berpengaruh negatif namun tidak signifikan, aspek lingkungan berpengaruh negatif dan signifikan, dan aspek sosial berpengaruh positif dan signifikan terhadap earnings persistence. Sustainability reporting aspek ekonomi, lingkungan, dan sosial berpengaruh positif namun tidak signifikan terhadap earnings timeliness. Kemudian, sustainability reporting aspek ekonomi berpengaruh positif namun tidak signifikan terhadap nilai perusahaan, dan aspek lingkungan dan sosial berpengaruh negatif dan signifikan terhadap nilai perusahaan. Demikian dengan earnings persistence berpengaruh negatif namun tidak signifikan terhadap nilai perusahaan. Sedangkan earnings timeliness berpengaruh positif dan signifikan terhadap nilai perusahaan. Penelitian ini juga menunjukkan earnings persistence dan earnings timeliness tidak mampu memediasi pengaruh sustainability reporting aspek ekonomi, lingkungan, dan sosial terhadap nilai perusahaan.

Kata Kunci: *sustainability reporting, kualitas laba, nilai perusahaan*

Introduction

The corporate value is reflected in the stock price, so that the high price of the corporate's shares in the stock market makes the corporate value high. When the corporate value is high, investors and potential investors will tend to invest in the corporate because there is a belief that a high corporate value indicates high corporate performance, both now and in the future. Thus, the main goal of the corporate is to maximize the corporate value.

The COVID-19 pandemic has had a negative impact on most companies. This is because the COVID-19 pandemic has made the stock prices of companies listed on the Indonesia Stock Exchange experience sharp fluctuations which will affect the corporate value going forward. The companies that experienced a decline in corporate value were seen from the decline in profits and share prices. For example, PT Aneka Tambang Tbk posted a net profit for the first six months of 2020 of Rp. 84.82 billion compared to the first six months of 2019 net profit which reached Rp. 428 billion with a percentage decrease of 80.18%. The corporate's share price experienced the sharpest decline in March 2020 with a price of Rp. 450 per share compared to the previous closing price of Rp. 885 in March 2019 (Mediatama, 2020).

The phenomenon of fluctuations in corporate value is certainly supported by several factors, one of which is financial performance that reflects the company's performance as measured by data from financial reports (Sabrina & Lukman, 2019). The company's financial performance can be seen from the profit it generates because profit provides a measurement of changes in shareholder wealth over a period (Subramanyam, 2017, p. 98). Therefore, the company must be careful in managing the various resources it has in order to be able to minimize the costs incurred while maximizing the profits earned and able to present

earnings quality, that means companies to present current financial information, and do not contain high discretionary accruals so that the information presented becomes more transparent. Latif et al. (2017) stated that earnings quality has a positive effect on firm value because high earnings quality can reduce information asymmetry and the risk of misreporting. However, the results of this study are not consistent with research by Jonathan & Machdar (2018) which states that earnings quality has a negative effect on firm value because many companies in Indonesia commit fraud in their financial statements which record high profits but small returns.

Based on the perspective of stakeholder theory, Harrison & Wicks (2013) suggest that companies that always tried to serve the interests of stakeholder groups at large would create more value over time. Companies must provide financial information that describes the actual conditions so that investors are able to make the right investment decisions. However, companies need to carry out sustainable development so that in addition to meeting investors' needs for financial information, companies are also able to meet the needs of other stakeholders for non-financial information.

Disclosure of sustainability reporting can affect the level of public trust in the company so that the corporate value can increase (Weber et al., 2008) making the company will be judged well by investors because disclosing sustainability reporting makes the company fully aware of the importance of natural and social environmental responsibility which is a place for it to operate. By focusing on three aspects of sustainable development, the company not only creates good financial performance but also helps and encourages the creation of a sustainable natural environment and creates good interactions between companies and communities. Fatchan & Trisnawati (2016) state that sustainability reporting has a positive effect on firm value because sustainability reporting acts as a guide in increasing capital to increase the company's market performance. However, the results of the study are not consistent with Husnaini & Basuki (2020) which state that sustainability reporting has no significant effect on firm value because investors think that sustainability reporting will increase the costs incurred by the company to support social development programs, thereby reducing the profitability obtained causing the firm value decrease.

This research is a development of Yulianty & Nugrahanti's (2020) research on the Effect of Sustainability Reporting on Firm Value with Financial Performance as an Intervening Variable. The difference between this research and previous research lies in the use of the earnings quality variable as a mediating variable, compared to previous research whose mediating variable used financial performance proxied by current ratio, total asset turnover, debt to equity ratio, return on asset, and duPont which all of them are general financial performance. Researchers use earnings persistence with the consideration that good earnings quality is predictable earnings and can last for the long term. In addition, researchers use earnings timeliness to compare that the quality of earnings in addition to being predictable, earnings must also be presented in a timely manner because even though earnings have been presented well and can be predicted but are not presented in a timely manner, the usefulness of information in decision making will be lost.

Research Methods

The independent variable in this research is sustainability reporting, while the dependent variable is corporate value. Besides that, in this research has mediator variable namely earnings quality which is proxied by earnings persistence and earnings timeliness. Then, stakeholder theory is used to explain the theoretical framework in this research.

Stakeholders were groups or individuals who can influence or be influenced by the achievement of organizational goals (Freeman, 1984). According to (Donaldson & Preston, 1995) stakeholder theory relates to managerial elements which not only describe a situation or cause-effect relationship but also explain a procedure, arrangement, and action that will simultaneously create a stakeholder management philosophy which is carried out by the manager compiling a plan, and able to implement the plan in meeting the interests of some or all of the interested parties in the company. This shows that the company does not only carry out operational activities for its personal interests, but also pays attention to the interests of all stakeholders.

Sustainability reporting was a report that contains information about the company's financial and non-financial performance which consists of social and environmental activities that enable the company to grow sustainably (Elkington, 1997). The information disclosed in sustainability reporting can be used as a benchmark for companies to find out how far the company has made a positive impact on the natural and social environment. The information described in the sustainability reporting according to GRI covers several aspects such as economic, environmental, and social which includes labor practices and work comfort, human rights, society, and product responsibility.

According to Dechow & Schrand (2004) earnings quality was earnings that accurately reflect the current and future operating performance of the company and was a useful measurement for assessing the company. Gaio & Raposo (2011) use seven attributes of earnings quality measurement which were divided into two groups, namely accounting earnings and market earnings. For accounting earnings, earnings quality measurement consists of accruals quality, persistence, predictability, and smoothness, which were attributes that were measured using accounting information and it was assumed that earnings function in allocating cash flows. As for market earnings, the measurement of earnings quality consists of value relevance, timeliness, and conservatism, which were attributes that were measured using accounting and market data and the assumption that profit serves to reflect economic income as a proxy for stock returns.

According to Wahyudi & Pawestri (2006) optimizing corporate value can be done through the financial management function, namely making one financial decision that was able to influence other financial decisions and will ultimately have an impact on corporate value. This clearly shows that the factors causing the increase and decrease in the value of the company are strongly influenced by the decisions taken by management so that management must be wise and careful in making decisions. However, according to Sutrisno & Sari (2020) an increase in company value can occur if management was able to coordinate with stakeholders and shareholders in making decisions so that working capital can

be maximized, so it is hoped that there will be a joint solution in creating corporate value going forward.

The measurement of all variables in this research can be seen from the table as follows:

Table 1. The variables measurement

Variables	Measurement from	Indicators	Descriptions:
Sustainability Reporting	Caesaria & Basuki (2017)	$SRDI_{EC} = \frac{V_{EC}}{M_{EC}}$	SRDI = Sustainability Reporting Disclosure Index V = Items disclosed from each aspect M = The total number of items from each aspect
		$SRDI_{EN} = \frac{V_{EN}}{M_{EN}}$	
		$SRDI_{SC} = \frac{V_{SC}}{M_{SC}}$	
Earnings Persistence	Gaio & Raposo (2011)	$E_{i,t} = \mu_{0,i} + \mu_{1,i}E_{i,t-1} + u_{i,t}$	$E_{i,t}$ = Net Income before extraordinary items of firm <i>i</i> in year <i>t</i> divided with weighted average number of shares outstanding shares during year <i>t</i> .
	Lev (1983) in Gaio & Raposo (2011)	$PERS_i = -\mu_{1,i}$	
Earnings Timeliness	Gaio & Raposo (2011)	$EARN_{i,t} = \varphi_{0,i} + \varphi_{1,i}NEG_{i,t} + \varphi_{2,i}RET_{i,t} + \varphi_{3,i}NEG_{i,t}RET_{i,t} + \eta_{i,t}$	$EARN_{i,t}$ = Net Income before extraordinary items of firm <i>i</i> in year <i>t</i> as measured by market value at the beginning of year <i>t</i> . $RET_{i,t}$ = Stock Return of Firm <i>i</i> in year <i>t</i> . $NEG_{i,t}$ = Dummy Variable is assigned a value of 1 if $RET_{i,t} < 0$, and a value of 0 if $RET_{i,t} > 0$
		Ball <i>et al.</i> (2000) in Gaio & Raposo (2011)	
Corporate Value	Gaio & Raposo (2011)	$Q_{it} = \frac{BVA_{i,t} + MVE_{i,t} - BVE_{i,t}}{BVA_{i,t}}$	$Q_{i,t}$ = value from Tobin's Q of firm <i>i</i> at the year <i>t</i> . $BVA_{i,t}$ = book value from total assets of firm <i>i</i> at the year <i>t</i> .

MVE_{i,t} = market value of shares firm *i* at the year *t*.
 BVE_{i,t} = book value of shares firm *i* at the year *t*.

The figure 1 shows the concept of the relationship between variables that form a theoretical framework as follows:

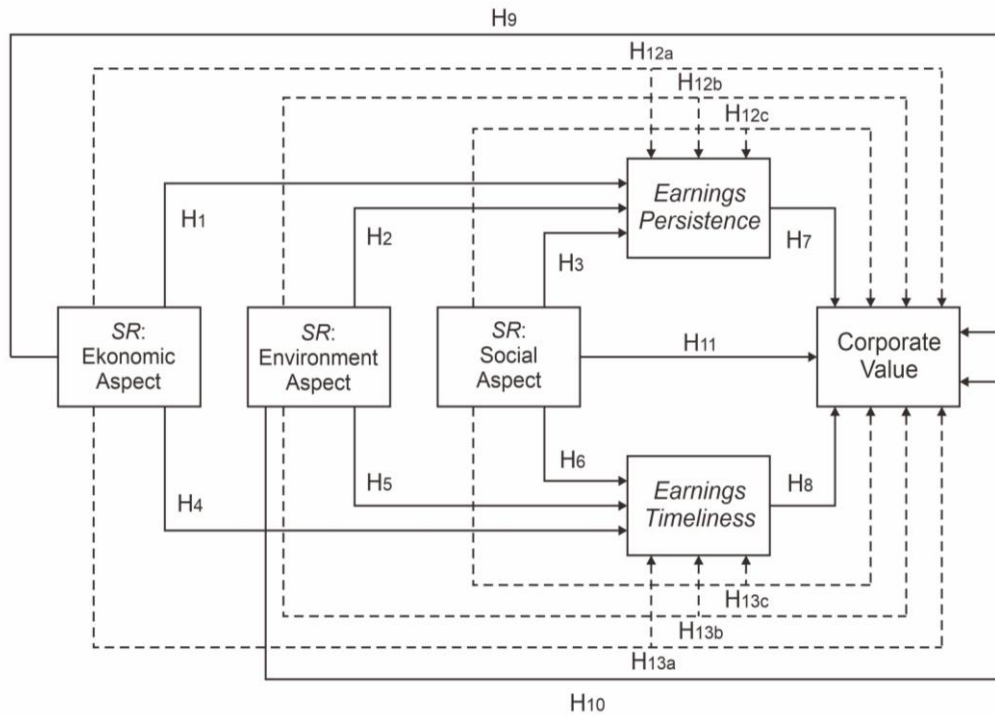


Figure 1. Theoretical Framework

The population in this research is non-financial companies listed on the Indonesia Stock Exchange during the 2016-2019 periods. While the sample used in this research was selected by purposive sampling method. The sample selection criteria are (1) non-financial companies listed on the IDX during the 2016-2019 period and did not delisting. (2) The company publishes annual reports, financial reports completely and was presented in rupiah currency and publishes sustainability reports for the period 2016-2019. (3) Information needs for a report on data relating to the variables studied. Based on the sample selection criteria that have been described, obtained 16 companies that are sampled for each period, so the samples of 64 can be observed. In this research, Statistical Package for the Social Science (SPSS) version 16 is the software used in data processing, and the Statistics Calculators version 4.0 program is the software used to processing mediate hypothesis.

Based on the theoretical framework that has been described previously then there are three structural equations that show the hypothesized relationship:

$$Y1 = \rho Y1X1 + \rho Y1X2 + \rho Y1X3 + \epsilon_1 \quad (1)$$

$$Y2 = \rho Y2X1 + \rho Y2X2 + \rho Y2X3 + \epsilon_2 \quad (2)$$

$$Y3 = \rho Y3X1 + \rho Y3X2 + \rho Y3X3 + \rho Y3Y1 + \rho Y3Y2 + \epsilon_3 \quad (3)$$

Where Y1 is the Earnings Persistence, Y2 is the Earnings Timeliness, Y3 is the Corporate Value, X1 is the Sustainability Reporting Economic Aspect. X2 is the Environment Aspect, X3 is the Social Aspect and ϵ is the error term.

Result and Discussions

F-test is a test used to see how the effect of all independent variables simultaneously on the dependent variable.

Table 2. Simultaneous test result

Exogenous Variable	Endogenous Variable	F	Sig
Sustainability Reporting: Economic (SREC) aspect Environment (SREN) aspect Social (SRSC) aspect	Earnings Persistence (PERS)	4,305	0,011
Sustainability Reporting: Economic (SREC) aspect Environment (SREN) aspect Social (SRSC) aspect	Earnings Timeliness (TIME)	2,947	0,046
Sustainability Reporting: Economic (SREC) aspect Environment (SREN) aspect Social (SRSC) aspect Earnings Persistence (PERS) Earnings Timeliness (TIME)	Corporate Value (CP)	5,687	0,001

Source: Result of Processed Data SPSS 16 (2021)

The results of the ANOVA or F-test in table 2 in the first substructure equation shows a significance probability value of $0.011 < 0.05$, which means that the sustainability reporting variables from the economic, environment, and social aspects simultaneously have an influence on the earnings persistence variable. Then the second substructure equation in table 2 shows the test results by obtaining a significance probability value of $0.046 < 0.05$ which implies that the variables of sustainability reporting economic, environment, and social aspects simultaneously have an influence on the earnings timeliness variable. The next is the third substructure equation in table 2 in this research shows the results of the ANOVA or F-test with a significance probability value of $0.001 < 0.05$ which means that the ability of the sustainability reporting variable from economic, environment, and social aspects as well as earnings persistence and earnings timeliness in predicting the influential corporate value variable. Thus, it can be concluded from the first, second and third sub-structure equations that the regression model formed has been built properly. After obtained significance probability value for all sub-structure, the next is t-test or partial test which a test that aims to test the effect of each independent variable on the dependent variable per variable. The result of partial test can be seen from the table 3 as follows:

Table 3. t-test result

Structure Model	Coefficient	Sig.	Description
Sub-structure 1			
(The Effect of Sustainability Reporting Economic, Environment, and Social Aspect on Earnings Persistence)			
SR – Economic Aspect	-0,14	0,38	Not significant
SR – Environment Aspect	-0,38	0,02	Significant
SR – Social Aspect	0,61	0,00	Significant
Sub-structure 2			
(The Effect of Sustainability Reporting Economic, Environment, and Social Aspect on Earnings Timeliness)			
SR – Economic Aspect	0,17	0,30	Not significant
SR – Environment Aspect	0,03	0,83	Not significant
SR – Social Aspect	0,32	0,09	Not significant
Sub-structure 3			
(The Effect of Sustainability Reporting Economic, Environment, and Social Aspect, as well as Earnings Persistence and Timeliness on Corporate Value)			
SR – Economic Aspect	0,11	0,43	Not significant
SR – Environment Aspect	-0,35	0,03	Significant
SR – Social Aspect	-0,48	0,01	Significant
Earnings Persistence	-0,16	0,30	Not significant
Earnings Timeliness	0,43	0,00	Significant

Source: Result of Processed Data SPSS 16 (2021)

Based on the t-test results on the effect of the economic aspect of sustainability reporting on earnings persistence, it shows that the economic aspect of sustainability reporting has a negative and insignificant effect on earnings persistence. This shows that sustainability reporting from the economic aspect disclosed by the company tends to reduce earnings persistence, but the effect is not strong. The result of this research is consistent with the research from Sari & Andreas (2019) which provides evidence that the economic aspect of sustainability reporting has a negative and not significant effect on financial performance. In this research the economic aspect of sustainability reporting is not able to improve the company's performance in the form of earnings persistence. This might be because the company does not view the economic

aspect of sustainability reporting as a strong guideline in boosting performance, but only as an obligation for companies to disclose sustainability reporting in order to meet stakeholder needs.

Sustainability reporting environment aspect has a negative and significant effect on earnings persistence. In accordance with the test results in table 3 which obtained a standardized coefficient value of -0.383 and a significance probability of $0.024 < 0.05$. This shows that the higher the sustainability reporting in terms of environment aspect disclosed by the company, it tends to make earnings persistence decrease. The result of this research is inconsistent with the research from Setiyowati & Gunarsih (2020) which states that the disclosure of environment aspect of sustainability reporting has a positive effect on financial performance. In this research environmental aspect of sustainability reporting is not able to increase earnings persistence, which means the company does not use the eco-friendly business principle as a performance improvement. This might be because the company sees environment aspect not as the main factor that can increase earnings persistence but as a decrease. One of them is in terms of waste and pollution management where companies have to incur large costs so that earnings persistence tends to decrease.

Sustainability reporting social aspect has a positive and significant impact on earnings persistence. Based on the test results in table 3, the standardized coefficient value is 0.617 and the significance probability is $0.002 < 0.05$. This shows that earnings quality in the form of earnings persistence will be created if the company always discloses sustainability reporting by paying attention to social aspect. The result of this research is consistent with the research from Sakiyah et al. (2020) which shows that the disclosure of social aspect of sustainability reporting has a positive effect on financial performance. Sustainability reporting by paying attention to social aspect is important for the company in increasing its earnings persistence. With sustainability reporting, the company must be alert in meeting the needs of its workforce both materially and non-materially so that the workforce will see the company as an entity that has high concern that makes the workforce motivated to give the best effort which can be seen through increased performance, and high productivity from the previous.

The results of testing the effect of sustainability reporting from the economic aspect on earnings timeliness show that sustainability reporting from the economic aspect has a positive but not significant effect on earnings timeliness. This shows that the higher of sustainability reporting from the economic aspect disclosed by the company, the more likely it is to increase earnings time lines but it does not have a strong influence. The result of this research is consistent with the research from Setiyowati & Gunarsih (2020) which states that sustainability reporting economic aspect has a positive and not significant effect on financial performance. Earnings timeliness encourages companies to deliver profits on time. In sustainability reporting on the economic aspect, companies must be responsible for conveying the economic value generated and distributed as well as indirect economic impacts that are in accordance with reality so that conditions that are in accordance with this reality can encourage companies to deliver profits on time. This is because transparent companies will not take a long time in compiling their financial information.

Sustainability reporting environment aspect has a positive but not significant effect on earnings timeliness. This can be seen from the standardized coefficient value of 0.036 and a significance probability of $0.835 > 0.05$ in table 3. This shows that earnings timeliness tends to increase if the company discloses sustainability reporting by paying attention to environment aspect even though the effect is not strong enough. The result of this research is consistent with the research from Hutasoit & Sembiring (2020) which state that sustainability reporting environment aspect has a positive and insignificant effect on the company's financial performance. The results in this research indicate that sustainability reporting from the environment aspect can improve company performance in the form of timeliness. This tendency occurs because with sustainability reporting on environment aspect, companies are encouraged to submit their performance in a timely manner because there is a principle that requires companies to present their environment aspect in a timely manner so that the form of transparency disclosed can be delivered sooner or earlier.

Sustainability reporting from the social aspect has a positive but not significant effect on earnings timeliness. This effect can be seen in table 3 with a standardized coefficient value of 0.328 and a significance probability of $0.091 > 0.05$. This research shows that companies that disclose social aspect of sustainability reporting tend to increase earnings timeliness, but do not have a big effect. The result of this research is consistent with the research from Hidayah et al. (2019) which shows that the disclosure of social aspect of sustainability reporting has a positive and not significant effect on financial performance. The results of this research indicate that the company's timeliness in submitting profits will be realized if the company implements sustainable development and is disclosed in the social aspect of sustainability reporting because it contains a principle that requires companies to report sustainability reporting routine and on time. This causes the company to pay more attention to the needs of its workforce so that the skills of the workforce will increase and it can be ascertained that the company's performance will increase and encourage the company's ability to present profits in a timely manner.

The test results in table 3 show that the standardized coefficient value is -0.166 and the significance probability is $0.300 > 0.05$ which indicates that earnings persistence has a negative and insignificant effect on corporate value. Thus, high earnings persistence tends to make the corporate value decrease. The result of this research is consistent with research from Jonathan & Machdar (2018) which states that earnings quality has a negative effect on corporate value. The results of this research indicate that earnings persistence does not increase corporate value. This tendency occurs because investors not only see the company's performance fundamentally but also see the company's performance for overall which includes aspects of the company's market in the form of the rate of return on investment obtained and the company's adaptability in responding to the economic world as well as regulatory policies that continue to change dynamically.

Earnings timeliness has a positive and significant effect on corporate value. In accordance with the test results of table 3, the standardized coefficient value is 0.431 and the significance probability is $0.007 < 0.05$. This research shows that companies that always deliver their profits on time tend to increase the corporate

value. The result of this research is consistent with the research from Latif et al. (2017) which states that earnings quality has a positive effect on corporate value. Earnings timeliness can be an important indicator for investors in assessing the company before investing. The higher the value of earnings timeliness makes investors believed that the information submitted by the company really shows conditions according to reality. Then, the company's ability to provide timely information can also provide confidence for investors because it is very likely that the discretionary accruals that make by the company is very small.

Based on the test results in table 3, it is known that the standardized coefficient value is 0.117 and the significance probability is $0.435 > 0.05$ which indicates that the economic aspect of sustainability reporting has a positive effect on corporate value but is not significant. This shows that the value of the company will increase if the company always discloses sustainability reporting with more emphasis on the economic aspect even though the effect is not strong enough. The result of this research is consistent with the research from Purwanti et al. (2019) which states that sustainability reporting has a positive effect on corporate value. Sustainability reporting from the economic aspect is important for companies in increasing corporate value. This happens because investors believe that in addition to using capital resources effectively and efficiently, the economic aspect of sustainability reporting also shows the magnitude of the company's efforts in advancing the economy of a region, so that companies do not only focus on operational aspects but also contribute to economic development.

Sustainability reporting environment aspect has a negative and significant effect on corporate value. This research shows that the high disclosure of sustainability reporting from the environment aspect tends to make the corporate value decrease. This is shown from table 3 which shows a standardized coefficient value of -0.351 and a significance probability of $0.032 < 0.05$. The results of this research does not support the research from Fatchan & Trisnawati (2016) which states that sustainability reporting has a positive effect on corporate value. In this research, sustainability reporting from the environment aspect is not able to increase the corporate value. This might be because investors perceive that the company's sustainability is not only determined by the size of the company's contribution to the natural environment, but that the company's sustainability is more emphasized on the amount of financial performance that is generated which includes not only fundamental aspects but also broader aspects.

Sustainability reporting social aspect has a negative and significant effect on corporate value. This research provides evidence that disclosure of sustainability reporting from a high social aspect tends to make the value of the company decrease. This is shown from table 3 which shows a standardized coefficient value of -0.481 and a significance probability of $0.014 < 0.05$. The result of this research is consistent with the research from Husnaini & Basuki (2020) which states that sustainability reporting has a negative effect on corporate value. The results in this research indicate that sustainability reporting from the social aspect cannot increase the value of the company. This might be because investors are more concerned with the returns obtained on investments that have been invested in the company so that the disclosure of social aspect disclosed does not make a significant contribution to investors.

The table 4 is the Sobel test which test aims to test the effect of the mediating variable in a hypothesis. If the value of t-statistics > t-table or p-value < 0.05, than the mediating variable (M) is able to mediate the effect of the independent variable (X) on the dependent variable (Y).

The results of the mediation role test obtained a p-value of Sobel test is 0.502 > 0.05 for the role of earnings persistence in mediating the effect of sustainability reporting economic aspect on corporate value. This shows that earnings persistence is not able to mediate the effect of sustainability reporting from economic aspect on corporate value. The failure of earnings persistence as a mediating variable in this research shows that the ability to durability and predictable of earnings has not been able to fully explain the corporate value. This tends to be because investors see the economic aspect disclosed in sustainability reporting as the company's efforts to encourage high earnings persistence does not fully increase the company's equity market value because investor view that the disclosure of economic aspect does not provide a large increase in value directly and requires quite a long time in processing create trust from the wider community.

Table 4. Sobel test result

Combination Variables	Estimate Value	Standard Error	p value of Sobel Test
Sustainability reporting - economic → corporate value via earnings persistence	-0,103 ; -0,282	0,118 ; 0,268	0,502
Sustainability reporting - environment → corporate value via earnings persistence	-0,445 ; -0,282	0,189 ; 0,268	0,337
Sustainability reporting - social → corporate value via earnings persistence	0,775 ; -0,282	0,227 ; 0,268	0,315
Sustainability reporting - economic → corporate value via earnings timeliness	0,424 ; 0,221	0,407 ; 0,077	0,327
Sustainability reporting - environment → corporate value via earnings timeliness	0,137 ; 0,221	0,653 ; 0,077	0,834
Sustainability reporting - social → corporate value via earnings timeliness	1,361 ; 0,221	0,783 ; 0,077	0,137

Source: Calculations with the help of the *statistics calculators version 4.0* program (2021), <http://www.danielsoper.com/statcalc/calculator.aspx?id=31>

The results of the indirect test obtained a p-value of Sobel test is 0.337 > 0.05 which indicates that earnings persistence failed to mediate the effect of sustainability reporting from the environment aspect on corporate value. The inability of earnings persistence as a mediating variable in this research shows that the company's ability to create earnings persistence is not able to provide

broad implications in explaining the increase in corporate value. This tends to be because investors see earnings persistence as a fundamental indicator that focuses on the company's internal performance. However, investors want to see the company's performance from a wider context that is recognized by the market because the purpose of investors investing is to obtain stock returns so that market aspects become important information.

The results of the mediation role test obtained a p-value of Sobel test is $0.315 > 0.05$ for the role of earnings persistence in mediating the effect of sustainability reporting social aspect on corporate value. This shows that earnings persistence fails to mediate the effect of sustainability reporting social aspect on corporate value. This tends to be because sustainability reporting from the social aspect that is disclosed by the company in forming earnings persistence is considered by investors as a decrease in the value of the company because the company will spend a lot of money to carry out social activities which causes the profits to decrease and the returns obtained by investors also decrease.

The results of the indirect test obtained a p-value of Sobel test is $0.327 > 0.05$. This shows that earnings timeliness is not able to mediate the effect of sustainability reporting from the economic aspect on corporate value. The failure of earnings timeliness as a mediating variable in this research shows that the company's ability to convey earnings information in a timely manner has not been able to provide broad implications in explaining corporate value. This tends to be because investors consider whether the information submitted is in accordance with the existing facts, if the company earns a profit due to selling some of its fixed assets, the information must still be disclosed.

The results of the mediation role test obtained a p-value of Sobel test is $0.834 > 0.05$ for the role of earnings timeliness in mediating the effect of sustainability reporting environment aspect on corporate value. This shows that earnings timeliness fails to mediate the effect of sustainability reporting environment aspect on corporate value. The inability of earnings timeliness as a mediating variable in this research indicates that the company's timeliness in submitting earnings information has not been able to fully explain the corporate value. This tends to be because investors consider that the disclosure of environmental aspect in sustainability reporting in order to produce timely information does not increase the company's market equity value because the market equity value is more emphasized on the magnitude of the resulting financial performance which includes not only fundamental aspects but also broader aspects.

The results of the mediation role test obtained a p-value of Sobel test is $0.137 > 0.05$ for the role of earnings timeliness in mediating the effect of social aspect in sustainability reporting on corporate value. This shows that earnings timeliness fails to mediate the effect of sustainability reporting from social aspect on corporate value. This tends to be because investors see whether the information submitted is in accordance with the facts that exist in the company, and whether the social aspect of sustainability reporting that is carried out really encourages the workforce to produce high performance so as to form earnings quality in the form of earnings timeliness.

Conclusion

Sustainability reporting from the economic aspect show a negative but not significant effect to earnings persistence. From environment aspect show a negative and significant effect to earnings persistence. And then, from social aspect show a positive and significant effect to earnings persistence. While all aspects of sustainability reporting (economic, environmental, and social) show a positive but not significant effect to earnings timeliness. The next is Earnings persistence show a negative but not significant effect to corporate value. However, earnings timeliness shows a positive and significant effect to corporate value. Besides that, Sustainability reporting on the economic aspect shows a positive but not significant effect to corporate value. From the environment and social aspect shows negatives and significant effect to corporate value. Then, earnings persistence and earnings timeliness are not able to mediate the effect of sustainability reporting from the economic, environment, and social aspect on the corporate value.

The results of this research provide practical implications as a reference for companies to pay more attention to the three aspects of sustainable development that are implemented through sustainability reporting to increase the value and viability of the company. Not only for companies, this result can be provide a reference for investors to make considerations before investing by choosing companies that have good and accountable prospects for financial and non-financial performance. The results of this research are also expected to be useful for regulators to find out how many companies have disclosed sustainability reports so that in the future the regulator can establish a rule that requires all companies to disclose sustainability reports.

This research has several limitations that can also be considered by further researchers, namely the use of GRI standards in measuring the non-uniform sustainability reporting disclosure index (SRDI), namely GRI G4 and GRI Standards. Next, the earnings persistence variable has a measuring tool that is limited to earnings before extraordinary items and weighted average shares. In the next step, researchers can use one standard of GRI so that it can be uniformed. Next, the use of earnings persistence and earnings timeliness can be replaced with other financial performance measurements such as Economic Value Added (EVA) and Market Value Added (MVA).

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