QUALITY OF DISCLOSURE OF SUSTAINABLE DEVELOPMENT GOALS (SDGS) AND FINANCIAL PERFORMANCE: EMPIRICAL EVIDENCE ON PROPERTY AND REAL ESTATE COMPANIES IN INDONESIA

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ABSTRACT

This study aims to test and analyze the effect of the quality of SDGs disclosure in the Sustainability Report on the company's financial performance. The quality of SDGs reporting in this study is seen from the presentation of the company's contribution to SDGs reporting, either presented qualitatively or quantitatively. Financial performance is measured using the Return on Asset (ROA) ratio. The population of this study are property and real estate companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period. This study uses purposive sampling method with several criteria which are then sampled. Furthermore, for the reporting quality variable using the scoring method. the sample of this study amounted to 10 companies. The result of this study is that the quality of SDGs reporting has a significant effect on ROA. While Company Value has no influence on ROA.

Keywords: *SDGs, financial performance, company value, quality, quantitative, qualitative*

1. INTRODUCTION

Over the past few decades, there has been an increasing demand for the concept of sustainability reporting from various stakeholders or external parties. Along with the increasing pressure from various parties, in September 2015, 193 UN member states, including Indonesia, agreed to adopt the SDGs. The SDGs are formed of 17 goals with 169 targets which then facilitate the implementation and monitoring grouped into four pillars namely governance, law, environment, economy, and social. This indicates that companies to incorporate SDGs activities in their business provide many benefits. Santoso & Raharjo (2022) showed that incorporating SDGs activities in the company's business is beneficial for stakeholders to help achieve corporate equity and security, future social development, and a sustainable increase in economic pace.

Although SDGs activities provide benefits in meeting stakeholder demands, implementation is still an obstacle in various countries, including in Indonesia. Arfianti & Widianingsing (2023) explained that one of the environmental problems caused by the company's activities is the construction of island G owned by PT Agung Podomoro Land Tbk which causes obstruction of river flow into Jakarta Bay, thus exacerbating flooding. Furthermore, Arfianti & Widianingsing (2023) showed that based on data from the Indonesia Stock Exchange, companies that disclose sustainability reports are increasing. However, that number is still far below compared to the number of publicly listed companies on the Indonesia Stock Exchange. This is because the Sustainability Report in Indonesia is still a Voluntary Disclosure and the low Sustainability Awareness of a company in responding to environmental issues.

Several previous studies have provided empirical evidence that when business actors disclose sustainability reports, it will provide a positive reaction for market participants (anyone). In this study, researchers assume that the company's Sustainability Report has a positive effect on financial performance as measured by Return on Asset (ROA). The higher the Return on Asset (ROA) value, the better the return on assets so that the better the company's performance (Natalia, 2022; Sietas et al., 2022) In line with the results of previous studies showing that disclosure of social responsibility has a positive impact on company profitability (Musfirati & Ginting, 2021; Syahzuni & Florencia, 2022).

In addition to providing a positive reaction for market participants, companies that report social responsibility will provide benefits in obtaining funding from investors. However, each sustainability report disclosure has different qualities. This is based on the Guidelines issued by OJK in the attachment to POJK Number 51 / POJK.03 / 2017 which states that companies can present sustainability reports in quantitative and qualitative terms related to economic, environmental and social aspects. Arifianti & Widianingsih (2022) explain that there are companies that only provide a brief description and even only mention what number of SDGs goals the company is pursuing. Then there are companies that report in detail along with measurable data by showing the results of their performance in realizing the SDGs goals. The presentation is in the form of a percentage of its performance, the percentage of communities affected, the number of communities involved and so on.

Based on the previous explanation, this study aims to examine the effect of the quality of SDGs disclosure in the Sustainability Report on the company's financial performance. The quality of SDGs reporting in this study is seen from the presentation of reporting on the company's contribution to SDGs whether presented qualitatively or quantitatively. This study uses legitimacy theory, which is a theory that says that the limits of determining norms, social values, and reactions can encourage analysis of organizational behavior in paying attention to the environment which is an important thing. This research makes the property & real estate sector as an object because the activities and operations of the sector are indicated to have a harmful impact on the 4 pillars contained in the SDGs and the condition of the world in the future.

2. LITERATURE REVIEW

Legitimacy Theory

Legitimacy theory is a theory that states that the limits of determining norms, social values, and reactions can encourage analysis of organizational behavior in paying attention to the environment and become an important thing (Chariri & Ghozali, 2014). The basis of legitimacy theory according to Kepakisan and Budiasih (2022) is the sustainability of the company's existence based on if the community realizes the company operates in a value that is commensurate with the community's own value system. This allows for a social contract between the company and the community and needs to consider the prevailing norms to be in line with existing social values (Rahmayani & Anggraini, 2021).

The legitimacy of the company can be seen from how the harmony between social values and behavioral norms in the social system in society. This theory means that the actions of the company must have activities and performance that are acceptable to society. Sustainability Report which contains disclosures related to the company's social and environmental responsibilities, especially related to SDGs, is a medium for companies to gain legitimacy from the community. When the company gets legitimacy from society, it is expected to maximize its financial performance in the long run.

Quality of Sustainable Development Goals (SDGs) Reporting

Sustainable Development Goals (SDGs) reporting presented in the Sustainability Report contains information on what activities the company has carried out as a form of contributing to realizing the SDGs goals. Each company has different SDGs reporting and delivery methods because they have different activities. The goals that the company wants to achieve in relation to the 17 SDGs goals are also different. According to Sebrina et al. (2022) the quality in Sustainability Report reporting provides investors with relevant and reliable information to estimate company value in equity investment decisions. Meanwhile, Hummel and Szekely (2022) prove in their research that there is a substantial improvement in the quality of SDG reporting over time but there is still a lack of disclosure of quantitative and forward-looking information. In line with Tsalis et al. (2020) testing the quality of SDGs reporting by looking at quantitative and qualitative presentations shows that there are differences in the extent and quality of information disclosed by companies for each SDG.

In this study, qualitative reporting means when companies report contributions only by explanation without showing numerical data. The qualitative form of delivery carried out by some companies only states in several statements that the company contributes to the SDGs. Then there are those who briefly explain what SDGs goal number the company has achieved but do not show numerical data. While quantitative delivery is a company that conveys the company's contribution to the SDGs clearly what goal number is equipped with specific numerical data on its achievements. Some companies present it in graphs and tables containing how much or the percentage of the company's achievement of activities related to SDGs goals.

Financial Performance

Information containing the financial condition of the company is needed for internal and external users. In addition, it is also a reflection of the fundamental performance of the company. Financial performance is measured through data that has been presented in the financial statements. Financial statements provide an overview of financial conditions in the past and predict for the future. Financial performance can be measured based on several ratios that can be used, one of which is the probability ratio (Prasetya, 2021). The probability ratio in this study uses ROA. According to Natalia (2022) ROA can be a company measuring tool in seeing the value of profit in a certain unit of time. The purpose of ROA is to measure the company's profitability regarding the productivity of assets that contribute to the profits achieved by the company. ROA measurement is to compare total assets with net profit after tax (Sietas et al., 2022). According to Sietas et al. (2022) net profit after tax is used in the calculation of ROA to make the ratio a tool to calculate the company's maximum profit. The higher the ROA result, the more effective the company's opportunity to develop growth (Natalia, 2022). Sietas et al. (2022) said that the better the return on assets, the better the company's performance.

Company Value

Company value is a process that a company has gone through for the view of public trust in a company. A high company value indicates that the company has good performance and its future prospects can be trusted by investors Pambudi and Ahmad

(2022). Increasing company value is an achievement, which is in accordance with the wishes of the owners, because with the increase in company value, the welfare of the owners will also increase. According to Harmono, company value is the company's performance reflected in the stock price formed by the demand and supply of the capital market. It also reflects the public's assessment of the company's success. In this study, the company value uses the Tobin's Q formula and becomes the control variable used to see how much the company value affects the company's financial performance.

Hypothesis Development

Sustainability Report is still a voluntary disclosure. However, the government and the Financial Services Authority (OJK) have issued regulations and provisions regarding the issuance of Sustainability Reports. One of the provisions is the reporting of the company's contribution to the Sustainable Development Goals (SDGs) which contains 17 sustainable development goals. The company's contribution to the SDGs is quite important for the government if companies in Indonesia have a focus on supporting the achievement of the SDGs. In addition, companies that implement the SDGs goals can also improve their reputation and trust from stakeholders, investors and the public. This is because some of the SDGs goals must be directly implemented to the community and the community can directly receive the benefits. Based on previous research conducted by Dilashenyi et al. (2018), corporate reputation can have a significant effect on financial performance. Alfiyah and Arsjah (2021) conducted research related to SDGs disclosure on profitability which proved that the more SDGs disclosure the company made, the higher its profitability. This study also focuses on company value which can affect company profitability. Previous research conducted by Jannah (2022), showed the results that company value has a significant effect on company profitability. Therefore, based on theory and previous studies, the hypothesis developed in this study is as follows:

H1 : The quality of SDGs reporting has a significant influence on financial performance.
H2 : Company value has a significant influence on financial performance

3. DATA AND RESEARCH TECHNIQUE ANALISYS

The population in this study are companies in the property sector listed on the Indonesia Stock Exchange (IDX), totaling 10 companies. Based on these 10 companies, there are no companies that do not publish Sustainability Reports so that the number of companies obtained for processing does not change. Data collection in this study using secondary data using purposive sampling method. The secondary data used are official company financial reports from the IDX website and Sustainability Reports obtained from their respective company pages. The data taken is during the 2019-2021 period. The variables tested in this study consist of the quality of SDGs reporting (SR) as an independent variable, ROA as the dependent variable, and company value as the control variable.

This study examines the quality of SDGs reporting based on the form of presentation in the Sustainability Report. Quality testing can provide an overview of property sector companies in Indonesia on the contribution of sustainable development through SDGs and how the company reports it. This study will look at the form of presentation in qualitative or quantitative or even not reporting it.

Quality of Sustainable Development Goals (SDGs) Reporting

Using a scoring system method such as research conducted by Tsalis (2020) and Nadhila Putri Arifianti (2022):

- 0 = Not reporting
- 1 = Presents qualitatively
- 2 = Presents quantitatively

ROA

According to Hidayat and Maulidiyah (2022) ROA can be formulated as follows

Picture 1: ROA formula

$$\text{Return on Asset} = \frac{\text{Net Profit}}{\text{Total Asset}} \times 100\%$$

Source: https://images.app.goo.gl/fqizcRASAbJvSzKf9

Company Value

Calculated using the Tobin's q formula*:*

Picture: Tobin's Q formula

$$Q = \frac{(EMV + D)}{(EBV + D)}$$

Source: https://images.app.goo.gl/hWKQqT5CE8iDZRM79

4. RESULT AND DISCUSSION

Descriptive Statistics

Descriptive statistics provide an overview or description of data seen from the average value (mean), standard deviation, maximum, minimum. From the results of the descriptive statistical analysis, the amount of data (N) in this study was 30 observation samples. From the descriptive statistics table, the average Financial Performance (ROE) is 19.5%.

Table 1: Descriptive Statistic result

Variabel	MIN	MAX	MEAN	STANDAR DEVIASI
X (SDGs)	1,000	2,000	1,7667	0,4302
Z (Tobin's Q)	0,486	4,695	1,1816	0,8126
Y (ROA)	0,002	0,200	0,05509	0,05506

Source: Self Proceed

Based on the descriptive statistical test results in Figure 1, it shows that there are 30 observation samples. The independent variable is the Quality of SDGs Reporting (X) with a value of 1 for companies that report and explain in qualitative while value 2 in quantitative. The average value is 1.7667 and the standard deviation is 0.4302, indicating that the average value is greater than the standard deviation, meaning that the data distribution is normal. The dependent variable is ROA (Y) with data that has the lowest value of 0.002 and the highest value of 0.2. The average ROA (Y) variable is 0.05509 and the standard deviation is 0.05506, which means that the average value is greater than the standard deviation, meaning that the data distribution is normal. Then for the company value variable as the control variable, it has the lowest value of 0.486 and the largest value of 4.695. The average of the Company Value (Z) variables in this research data is 1.1816 with a standard deviation of 0.8126, which means that the average value is greater than the standard deviation, indicating that the data distribution is normal.

Model Estimation Test

1) Chow Test

Table 2: Chow test result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	20.966688	(9,18)	0.0000

Source: Self Proceed

Based on the model selection conditions for the chow test, the Prob value of 0,0000 <0,05, the FEM model is selected.

2) Hausman Test

Table 3: Hausman test result

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.324334	2	0.3128

Source: Self Proceed

Based on the model selection requirements for the Hausman test, the Prob value is 0,3128>0,05, so the REM model is selected.

3) Largrange Multiplier (LM) Test

Table 4: LM test result

Null (no rand. effect)	Cross-section	Period	Both
Alternative	One-sided	One-sided	
Breusch-Pagan	5.374066 (0.0204)	0.055589 (0.8136)	5.429656 (0.0198)

Source: Self Proceed

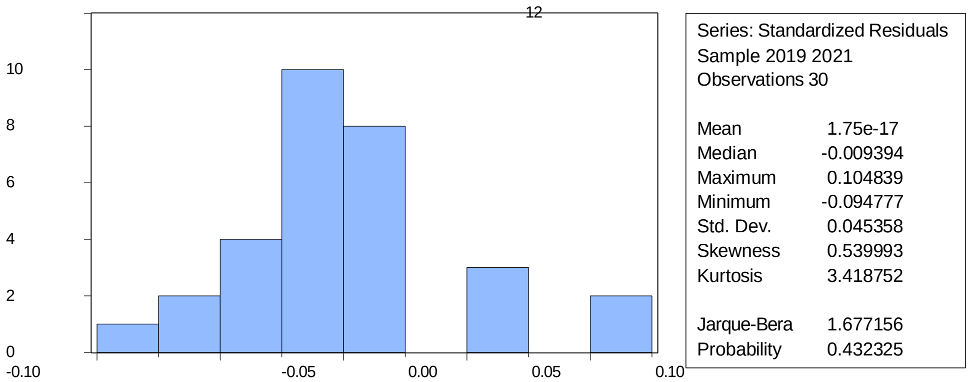
Based on the model selection provisions for the LM test, the Prob value of 0.0204 <0.05, the REM model is selected.

Based on the results of the Chow Test, Hausman Test, and LM Test, the best in this study is the Random Effect Model (REM).

Classical Assumption Test

1) Normality Tes

Table 5: Normality test result



Source: Self Proceed

Based on the test results, the probability value is 0.432325> 0.05, so this data passes the classic normality assumption test.

2) Multicollinearity Test

Table 6: Multicollinearity test result

	X	Z
X	1.000000	-0.151903
Z	-0.151903	1.000000

Source: Self Proceed

The purpose of multicollinearity testing is to see the correlation between variables. The correlation coefficient between X and Z is -0.151903 <0.90. It can be concluded that as long as it is less than 0.90, it can be declared to have passed the multicollinearity test.

3) Heteroscedasticity Test

Table 7: Heteroscedasticity test result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.056378	0.015188	3.712052	0.0009
X	0.116126	0.016877	6.880603	0.0000
Z	-0.013988	0.008184	-1.709113	0.0989

Source: Self Proceed

The purpose of testing heteroscedasticity is to test whether in the regression model there is an unequal variation in the residuals of one observation to another The correlation coefficient of X and Z is, 0.116126> 0.05 = X. 0,063988 > 0,05 = Z. It can be concluded that as long as it is more than 0.05, it can be stated that it passes the heteroscedasticity test or H0 = there are no symptoms of heteroscedasticity in the regression model

Dual Regression Hypothesis Test (Using The Rem Model)

Table 8: Random Effect Method result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.103024	0.033842	3.044303	0.0052
X	0.082054	0.037376	2.195385	0.0369
Z	-0.027678	0.017786	-1.556132	0.1313
Effects Specification				
			S.D.	Rho
Cross-section random			0.034789	0.5427
Idiosyncratic random			0.031934	0.4573
Weighted Statistics				
R-squared	0.227287	Mean dependent var		0.025771
Adjusted R-squared	0.170049	S.D. dependent var		0.035263
S.E. of regression	0.032125	Sum squared resid		0.027865
F-statistic	3.970919	Durbin-Watson stat		2.138114
Prob(F-statistic)	0.030778			
Unweighted Statistics				
R-squared	0.320756	Mean dependent var		0.055033
Sum squared resid	0.059663	Durbin-Watson stat		0.998592

Source: Self Proceed

1) T test

➢ X: The prob value of 0.0369 <0.05, has an effect on variable Y. The coefficient value is 0.082054 and the t-statistic is 2.195385. If it is positive, the effect is positive.

➢ Z: Prob value 0.1313 > 0.05, so there is no effect on variable Y. Coefficient value -0.027678 and t-statistic -1.556132 . If it is negative then the effect is negative.

2) Durbin Watson

To see Autocorrelation in eviews only using Durbin Watson, you must find the DL and DU values through the DW table. So analyze the eviews output:

It is known that N = 30 and K (Independent Variable there is 1 Variable, then based on the Durbin Watson reference table with a = 5% get the following results:

DL value = 1.3520 4-DL value = 2.648 DU value = 1.4894

4-DU value = 2.5106

DW (Durbin Watson) value = 2.138114 Durbin Watson Autocorrelation Test Results:

DL < DU < DW < 4-DU < 4-DL = 1.3520 < 1.4894 < 2.138114 < 2.5106 < 2.648

Conclusion: The data does not occur symptoms of autocorrelation or pass the autocorrelation test because the Durbin Watson Statistics value is between the DU, DL, 4-DU and 4-DL values.

3) R-Square Test

R-squared with a value of 0.227287 means that the effect of X, Z on Y is 22.72%.

4) F test

Prob (F-statistic) produces a value of 0.030778, so simultaneously has a significant effect on Y.

Discussion

The results of this study show that the probability value on variable X (disclosure of SDGs) is 0.0369 <0.05, has an effect on variable Y (ROA) and the coefficient value is 0.082054 and the t-statistic is 2.195385 which has a positive effect. This means that the quality of SDGs reporting affects financial performance. This shows that the quality of SDGs reporting in the Sustainability Report will make the company's ROA increase. The presentation of the company's contribution in realizing the SDGs goals in qualitative and quantitative form is able to influence the company in improving financial performance. That way, the first hypothesis, namely the quality of SDGs reporting has a significant effect on financial performance, is accepted.

The results in this study are similar to some previous studies. Prasetyo and Meiranto (2017) conducted research on the effect of corporate CSR disclosure on ROA, which in this study showed the results that CSR disclosure has a significant and positive effect on ROA. Alfiyah and Arsjah (2021) in their research can prove the positive effect of corporate disclosure related to SDGs on profitability as measured by ROA. Khan et al. (2022) conducted more specific research and first examined the direct relationship between environmental and social SDGs and corporate financial performance and the moderating role of green innovation. The results show that there is a positive correlation between environmental SDGs and financial performance and a significant negative on social SDGs on financial performance. Nadhila Putri Arifianti (2022) in her research proves that there is no significant effect of SDGs disclosure on financial performance. However, in this study there are differences in previous studies, namely this study directly focuses on how the form of presentation of SDGs in the Sustainability Report whether quantitatively or qualitatively.

The results show that the company's presentation of its contribution to the SDGs both qualitatively and quantitatively affects financial performance. This can be caused because many people realize the importance of the company's contribution to the SDGs. Therefore, the company's form of SDGs reporting can increase attention and trust in the company. In legitimacy theory, the quality of SDGs disclosure can provide a good image in increasing company profitability.

Effect of Company Value on ROA

The results of this study indicate a prob value of 0.1313> 0.05 the value of the company proved to have no effect on ROA. The coefficient value of the Company Value variable -0.027678 and t-statistic -1.556132 show that there is a negative influence on ROA. there is a tendency for the company's net profit to decrease when the company's total expenses increase. Such conditions make it impossible for the company's value to be boosted and tend to fluctuate. The results of this study are in line with research conducted by Ecclisia Sulistyowat (2021), namely that company value has no significant and negative effect on ROA.

5. CONCLUSION

Based on the research that has been conducted on the effect of SDGs reporting quality on financial performance in property companies, it can be concluded as follows:
(1) The quality of SDGs reporting in the Sustainability Report both qualitatively and quantitatively has a significant effect on the financial performance of property companies as measured using ROA. This study shows that the presentation of the company's contribution regarding SDGs is an important point that can improve financial performance. This means that currently the company's contribution in realizing the SDGs goals is considered by the public or investors in gaining legitimacy. (2) Company value has no effect and tends to be negative on the financial performance of property companies as measured using ROA. This study proves that the size and size of the company's value does not affect financial performance, there is a tendency for the company's net profit to decrease when the company's total expenses increase.

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