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The Effect Of Disclosure Of Economic, Social, Environmental Performance Sustainability On Financial Performance And Its Implications On Company Value With The Triple Bottom Line Approach

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Abstract

This study aims to examine the effect of sustainability disclosure on economic, social, environmental performance on financial performance and its implications for firm value. This research is a quantitative study that analyzes the relationship between sustainability disclosure of economic, social, environmental performance on financial performance and its implications for firm value. The sample in this study with a purposive sampling method of 171 manufacturing companies listed on the Indonesia Stock Exchange 2017-2019. Analysis of the data used in this study using path analysis. The results of this study indicate that [1] economic performance has a positive effect on financial performance, [2] social performance has a positive effect on financial performance, [3] environmental performance has a positive effect on financial performance, [4] economic performance harms on firm value, [5] social performance has no negative effect on firm value, [6] environmental performance has a positive effect on firm value, [7] financial performance has a positive effect on firm value, [8] economic performance harms firm value through financial performance, [9] social performance harms firm value through financial performance, [10] environmental performance has a positive effect on firm value through financial performance. This research has the originality of research using financial performance as an intervening variable to examine the effect of economic, social, environmental performance on firm value, where previous studies have never tested these five variables together. This research concept uses the triple bottom line concept.

Keywords: disclosure of sustainability, economic performance, social performance, environmental performance, financial performance, and company value

1. Introduction

The idea that underlies the sustainability of a company from ethics in the business world is that every company not only has obligations in the economic and legal fields (meaning to shareholders or shareholders) but also has obligations to other interested parties (stakeholders). Social responsibility in the company is the relationship between the company and stakeholders such as customers or customers, employees, owners, governments, and suppliers.

Company sustainability is a form of company sustainability to the community. Gantino (2016) explains that company sustainability is a company active in giving responsibility in the form of material to individuals or organizations where the company operates. Awareness of the importance of sustainability for companies to encourage companies to disclose their practice of corporate sustainability activities. Disclosure of sustainability report which is disclosed in the form of financial reports or company annual reports. Sustainability is a balance between 3P (people-planet-profit), which is better known as the Triple Bottom Line (TBL) concept. Sustainability lies in three aspects of performance, people - social; planet - environment; and profit - economy. Thus, according to Elkington (1997), the company is responsible for the positive and negative impacts that may arise on economic, social, and environmental aspects.

Currently sustainability reports are issued by companies, not limited by size, business model, industrial sector companies from various parts of the world. Companies that make sustainability usually use a reporting standard that is most often used as a standardized reference report, the GRI standard. Global Reporting Initiative (GRI) is an international organization that produces sustainability reports internationally.

Aggarwal (2014) defines sustainability is a business commitment to contribute to sustainable economic development, and to work with employees, their families, local communities, and society in general to improve their quality of life. In this day and age, companies must take responsibility for and disclose the impact of their operations on society and the overall environment in which they are located. Financial analysts, investors and other stakeholders are increasingly demanding non-financial information, such as environmental performance and financial performance information, so that they can make more rational and informed investment decisions.

Financial performance is the most important part of achieving company goals, because it is a measure of the success of managers in running the company. Information regarding the company's financial performance is needed by interested parties such as investors, creditors, the government and the public. This financial performance is needed to determine the results of the management of the company by managers, whether or not it is in line with company goals. In addition, this financial performance is one form of the company's achievements that have been achieved in a certain period as outlined in the financial statements.

The company, to develop its business and increase the value of the company, always tries to maintain its business excellence. In the long term, the company can develop the company and reduce the economies of scale of the business. Optimizing company value is one of the company's goals that can be achieved through the implementation of the financial management function, where one decision is taken will affect other financial decisions and have an impact on firm value (Fama and French, 1998).

A phenomenon related to company sustainability is that in 2018 the Sustainability Reporting Awards (SRA) annually provide an assessment and award to companies that have made sustainability reports, to support the Sustainable Development Goals by being named the Asia Sustainability Reporting Rating (Asia SR Rating). The awards given are no longer based on rank order, but based on groupings from Platinum, Gold, Silver, and Bronze. The goal is that the company is interested in participating, and as a trigger for the company so that in the following year it is willing to increase its rating according to the jury's recommendation.

Based on the background above, the objectives of this study are (1) to analyze the effect of economic, social, and environmental performance on firm value and financial performance, (2) to analyze the effect of economic, environmental, and social disclosures on firm value with financial performance as an intervening variable.

2. Literature Review

2.1 Agency Theory

According to Jensen & Meckling (1976), agency theory is a contract between the manager (agent) and the owner (principal). For the relationship between agent and principal to run smoothly, the owner will delegate decision-making authority to the manager. An agency relationship is a contract in which one or several people (principal) employ another person (agent) to carry out several service activities in delegating the authority to make decisions to that agent (Jensen and Meckling, 1976). In financial management, the agency relationship exists between shareholders and managers, or between shareholders and creditors. The company manager may make a decision that is against the company's goals to maximize shareholder wealth.

2.2 Signaling Theory

According to Spence (1973) states that asymmetric information is an important element for investors and business people because it provides information, notes or a good description of the past, present and future conditions regarding the company's business prospects. Complete, relevant, accurate and timely financial information is needed by investors in the capital market as an analytical tool for making investment decisions (Jogiyanto, 2015).

2.3 Legitimacy Theory

According to Deegan (2014), the legitimacy theory explains that companies can continue to strive to ensure that the company is still operating within the frame of norms that exist in the community or environment where the company is located, and companies must try to ensure that their activities are accepted by outsiders. According to Imam and Anis (2007: 411), the legitimacy theory explains that for the legitimacy process, all company activities in the view of the community must be able to show environmental-based performance and disclosure of environmental information.

2.4 Triple Bottom Line Concept

Currently the concept of sustainability is growing, and along with the development of the concept of sustainability, many theories have emerged related to sustainability. One of the well-known is the Triple Bottom Line theory in which this theory provides the view that if the company wants to survive, the company must pay attention to performance with "3P" (Elkington, 1997). Besides pursuing profit (profit), the company must also pay attention to and be involved in fulfilling the people's welfare and actively contribute to preserving the environment (Planet).

2.5 Sustainability Concept

Sustainability is an interesting issue to be developed and discussed in Indonesia and abroad. The concept of sustainability is not only developing in companies that have a macro level but now it has penetrated to the micro-level. Currently, several companies and organizations have started to realize the importance of this sustainable principle, they are starting to implement the concept of sustainability in their companies. Apart from that, the government, the market, investors, stock exchanges have started to demand and demand company transparency in its objectives, performance, and even sustainability reporting.

2.6 Financial Performance

The company's financial performance is one of the bases for assessing the company's financial condition which can be done based on an analysis of the company's financial ratios. Financial performance according to Helfert (2003: 67) is the result of many individual decisions made continuously by management. Assessing financial performance needs to involve analyzing the cumulative financial and economic impacts of decisions, and considering them using comparative measures.

2.7 Firm Value

According to Euis and Taswan (2002) that the company maximizing its value/image is very important because maximizing firm value also means maximizing the prosperity of shareholders, which is the main goal of the company. Maximizing the value of this company also means maximizing the prosperity of shareholders, which is the main goal of the company. In general, Tobin's Q is one of the ratios in measuring company value, Tobin's Q is a ratio measuring tool that defines company value as a form of the value of tangible assets and intangible assets. Tobin's Q can also describe the level of effectiveness and efficiency of the company is utilizing all resources in the form of company assets.

3. Hypothesis

3.1 The Effect of Economic Performance on Financial Performance

The practice of disclosing company performance from the perspective of institutional theory can increase a company's ability to compete and make it easier for companies to get stakeholder approval to expand their market share. Disclosure of a company's economic performance in sustainability will create transparency and accountability, thereby increasing the trust of shareholders, investors and creditors. This can increase the company's image in the eyes of the public which will have an impact on the company's financial performance so that the company's value will also increase.

The results of research by Lopez et al. (2016) show that a short-term negative impact on performance is generated because the company is supposed to respond to shareholder interests, social responsibility, but the company only maximizes firm value. Only if CSR practices are integrated into the strategic decisions taken in business will positive consequences be achieved. This kind of corporate philosophy change will have an impact on qualitative fundamentals, for example in reducing environmental impact, increasing employee satisfaction, retaining talent, enhancing company reputation, and playing a full positive role in the local community. Based on the explanation. This hypothesis can be formulated as follows:

H_1: Economic performance has a significant effect on financial performance

3.2 The Influence of Social Performance on Financial Performance

Companies with good financial performance will have financial resources available to improve the company's social performance. Lopez et al., (2007) explained that companies with better financial performance have the potential to have more available financial resources to invest in the company's social performance. As well companies that have good financial performance will have funds available to build relationships with customers through making products that are safe for consumption, improving relationships with employees such as giving severance pay and pension funds, and also improving the environment by treating operational waste to be environmentally friendly. So, companies that have good financial performance certainly have more resources to achieve better corporate social performance as well. Based on this explanation, the following hypothesis can be formulated:

H_2: Social performance has a significant effect on financial performance

3.3 The Effect of Environmental Performance on Financial Performance

In the business world, performance is related to economic, social and environmental aspects, companies play an important role in supporting business activities and their implementation and disclosure are influenced by several factors, such as social, economic, and political factors in the area where the company operates. Along with the times, social and environmental responsibility is not only managed appropriately but now it is used as a strategy that uses a sustainability paradigm and an environmental strategy.

According to the results of research by Ammer and Othman (2012), the disclosure of sustainability provides a significant increase in return on assets, sales growth and company cash flow. The use of company size as a variable that can control the unobservable effect of firm size on firm performance, namely other factors outside the model studied. Based on this explanation, the following hypothesis can be formulated:

H_3: Environmental performance has a significant effect on financial performance

3.4 The Effect of Economic Performance on Firm Value

Companies must maintain good relations with stakeholders. One strategy that can be used is to publish a sustainability report which provides information on economic, social and environmental performance. Sustainability can be used to answer the demands of stakeholders. Stakeholders can find out the performance of companies that care about the economy and can give a positive response by providing funding for the company.

The results of Nayak's (2015) research show that the feedback gathered during the study confirms the need for the strategic importance of sustainable business practices, where social, environmental and financial values are required to be equally respected in Australian business. Second, we provide recommendations and an integrated approach to sustainable business practices through a quality-assisted roadmap, which serves as a guide for companies to manage and continuously improve their sustainable performance. Based on this explanation, the following hypothesis can be formulated:

H_4: Economic performance has a significant effect on firm value

3.5 The Influence of Social Performance on Firm Value

According to Yasser et al. (2012) stated that the company's goal of using sustainability is a way that companies use to manage relationships with their stakeholders. With the disclosure of sustainability in the social sector carried out by the company, it is hoped that it can provide concrete evidence that the production process carried out by the company is not only profit-oriented but also takes into account social issues, so that it can increase stakeholder confidence which will have an impact on increasing company value through increased investment which has an impact on increasing. corporate profits. Based on this explanation, the following hypothesis can be formulated:

H_5: Social performance has a significant effect on firm value

3.6 The Effect of Environmental Performance on Firm Value

The company tries to get support from stakeholders to maintain the survival of a company Loh et al., (2017). In getting that support by way of reporting the company's environmental performance. Companies that implement good environmental performance tend to report their performance to stakeholders and however companies that have poor performance will tend not to want to inform stakeholders. Companies that perform less well will disclose less environmental performance. Reporting on the company's environmental performance is the impact of social priorities, response to government pressure, accommodation to public pressure and protection of the rights and image of the company. However, if the company's activities endanger the community, the government will intervene to protect community rights. Based on this explanation, the following hypothesis can be formulated:

H_6: Environmental performance has a significant effect on firm value

3.7 The Effect of Financial Performance on Firm Value

According to Yu & Zhao (2015), it is explained that the market does pay a premium for companies that are environmentally and socially responsible and well regulated, but there are international variations in the relationship between sustainability performance and market valuation. We find that the premium for sustainability assessment is higher in countries with stronger investor protection. In addition, premiums were more pronounced for companies operating in environments with higher financial transparency. We use several methods to address the endogeneity problem whereby companies with higher value tend to choose a sustainable strategy. A resilience check shows that excellence in sustainability performance leads to higher market valuation. Based on this explanation, the following hypothesis can be formulated:

H_7: Financial performance has a significant effect on firm value

3.8 The Influence of Economic, Social, Environmental Performance on Firm Value through Financial Performance

The objectives of the company's published economic, social and environmental performance are used to provide information about the activities of the company both regarding financial performance and non-financial performance. Information released by the company is important to influence investment decisions on parties outside the company. The more fulfillment that is expressed in economic, environmental and social performance, the more companies are considered to have carried out and are responsible for the activities that have been carried out by the company. This is a condition of company evidence to stakeholders that the company has paid attention to and fulfilled stakeholder expectations and can align with social norms when the company operates. Based on this explanation, the following hypothesis can be formulated:

H_{8a}: Economic performance against firm value through financial performance

H_{8b}: Social performance towards firm value through financial performance

H_{8c}: Environmental performance against firm value through financial performance

4. Research Model

Based on the development of the above hypothesis, the research model be described as follows:

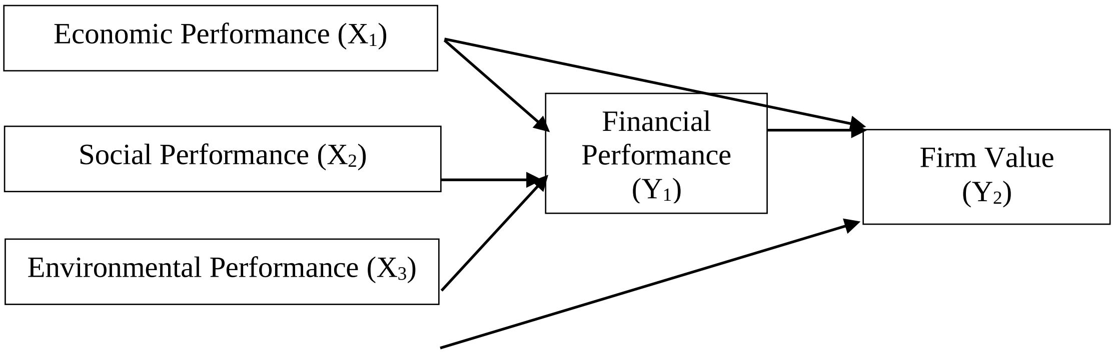

Figure 1. Research Model

5. Methodology

5.1 Types of research

This type of research is an explanatory research study with a quantitative approach.

5.2 Population and Sample

The population in this study were all manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019, to taling 432 companies. The sample in this study were all manufacturing companies listed on the Indonesia Stock Exchange as many as 171 companies. This sampling method used was the purposive sampling method with criteria.

5.3 Operational Definition and Measurement

a. Economic Performance

The assessment of economic performance uses internationally accepted GRI index guidelines that have been used in many countries. For the calculation of these variables in the form of disclosure of sustainability, dummy variables are used. Each indicator disclosed will be given a score of = 1, while those that are not disclosed by the company will be given a score of = 0. Economic performance in the GRI G-4 guidelines consists of 9 main items. The scores are then added together in order to obtain the overall disclosure score of economic performance for each company (Gunawan & Mayangsari, 2015). The variable formula is as follows (Utami and Muslichah, 2019):

b. Economic Performance

The assessment of economic performance uses internationally accepted GRI index guidelines that have been used in many countries. For the calculation of these variables in the form of disclosure of sustainability, dummy variables are used. For each indicator disclosed will be given a score of = 1, while those that are not disclosed by the company will be given a score of = 0. Economic performance in the GRI G-4 guidelines consists of 9 main items. The scores are then added together to obtain the overall disclosure score of economic performance each company (Gunawan & Mayangsari, 2015). The variable formula is as follows (Utami and Muslichah, 2019):

$$\mathrm{EcDI} = \frac{\mathrm{K}}{\mathrm{N}}$$

Information :

EcDI = Economic Disclosure Index

K = Index that is fulfilled

N = Total index that must be met

Social Performance

The assessment of social performance in the GRIG-4 guidelines is divided into 4 sub-categories, namely labor practices and work comfort, human rights, society, and product responsibility which consists of 48 main items. The variable formula is as follows (Utami and Muslichah, 2019):

$$\mathrm{SoDI} = \frac{\mathrm{K}}{\mathrm{N}}$$

Information :

SoDI = Social Disclosure Index

K = Index that is fulfilled

N = Total index that must be met

c. Environmental Performance

The environmental performance assessment in the GRIG-4 guidelines contains 34 main items. The environmental performance consists of materials, energy, water, biodiversity, emissions, effluent and waste, products and services, compliance, transportation, etc., supplier assessment of the environment, and complaint mechanisms for environmental issues. The variable formula is as follows (Utami and Muslichah, 2019):

$$\mathrm{EnDI} = \frac{\mathrm{K}}{\mathrm{N}}$$

Information :

EnDI = Environmental Disclosure Index

K = Index that is fulfilled

N = Total index that must be met

d. Financial Performance

Financial performance is the performance of operational activities with financial dimensions with the proxy of Return on Assets, which is one of the profitability ratios that can measure the company's ability to generate profits from the assets used. Return on Asset can measure the company's ability to generate profits in the past which are then projected in the future. The ROA unit as a percentage with the following formula:

$$\text{Return on Assets} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}} \text{ x } 100\%$$

e. Firm Value

Firm value in this study uses Tobin's Q method developed by James Tobin. According to Weston and Copeland (2001), measuring firm value can be calculated by comparing the ratio of the company's stock market value to the book value of the company's equity. Tobin's Q formula is as follows:

$$= \frac{\mathrm{EMV} + \mathrm{D}}{\mathrm{EBV} + \mathrm{D}}$$

Information :

Q = company value

EMV = market value of equity

EBV = book value of total assets

D = book value of total debt

6. Results and Discussion

Sustainability is a balance between economic, social and environmental performance. Based on the results of this study, some of the most dominant items from each performance were obtained, as follows:

- Economic performance of 9 indicators only 3 dominant indicators reveal sustainability performance with an average value above 69.11, namely direct economic value generated and distributed, financial implications and risks and other opportunities for organizational activities due to climate change, the scope of organizational obligations on a defined benefit plan.
- Social Performance of 48 indicators only 14 dominant indicators reveal sustainability performance with an average value above 23.33, namely the total number and rate of new employee recruitment and employee turnover by age group, gender, and region, benefits provided for full-time employees not provided for temporary or part-time employees, by location of significant operation, percentage of the total workforce represented on formal management-worker joint committees that help oversee and advise on occupational health and safety programs, types and extent of injuries, occupational diseases, days missing, and absenteeism, and total number of work-related deaths, by region and gender, health and safety topics covered by formal union agreements, average training hours per year per employee by gender, and by employee category, programs for management skills and lifelong learning ng support employee sustainability and help them manage retirement, composition of the governance body and division of employees per employee category by gender, age group, minority group membership, and other indicators of diversity, ratio of base salary and remuneration for women to men by category employees, by location of significant operations, significant actual and potential negative impacts on human rights in the supply chain and actions taken, percentage of operations with local community involvement, impact assessment and development programs implemented, total number and percentage of operations assessed on risks related to corruption and identified significant risks, total value of political contributions by country and recipient/beneficiary, survey results to measure customer satisfaction.
- Environmental Performance of 34 indicators only 11 dominant indicators reveal sustainability performance with an average value above 23.33, namely materials used based on weight or volume, energy consumption in the organization, operational locations owned, leased, managed in in, or adjacent to, protected areas and areas with high biodiversity value outside protected areas, description of the significant impacts of activities, products and services on biodiversity in protected areas and areas with high biodiversity value outside protected areas, emission reductions greenhouse gases, total weight of waste by type and method of disposal, total number and volume of significant spills, weight of waste deemed hazardous under the provisions of the convention transported, imported, exported or treated, and percentage of waste transported for international shipments, monetary value of fines significant and the total amount of non-monetary sanctions on non-compliance with environmental laws and regulations, significant environmental impacts from the transportation of products and other goods and materials for the organization's operations, and the transportation of labour, and significant actual and potential negative environmental impacts in the supply chain and actions taken.

The results of this study were followed by a discussion of each hypothesis.

Table 1 Hypothesis Testing Results 1-7

Hypothesis	Variable	t_{tabel}	p_{-value}	Information
H_1	Economic Performance →Financial Performance	3,622	0,000	Significant
H_2	Social Performance →Financial Performance	2,407	0,017	Significant
H_3	Environmental Performance → Financial Performance	3,030	0,003	Significant
H_4	Economic Performance →Firm Value	-2,046	0,042	Significant
H_5	Social Performance →Firm Value	-0,819	0,414	Not significant
H_6	Environmental Performance →Firm Value	2,844	0,005	Significant
H_7	Financial Performance →Firm Value	4,491	0,000	Significant

6.1 The Effect of Economic Performance on Financial Performance

The results of testing the first hypothesis (H_1) show that economic performance has a positive effect on financial performance. This hypothesis is proven through the path coefficient test results from economic performance to financial performance. The direct effect of economic performance on financial performance is a significant positive of 0.000, and a beta value of 0.259. Good financial performance is directly explained by the level of economic performance. In other words, good financial performance can occur in companies with high levels of economic performance. In this analysis the path coefficient is significantly positive, thus H_1 is accepted. This means that disclosure of the company's sustainability performance of economic performance is believed to be able to improve the company's financial performance, where investors tend to invest their capital in companies that carry out sustainability activities. This investment causes the amount of funding in the company to increase.

6.2 The Influence of Social Performance on Financial Performance

The results of testing the second hypothesis (H_2) show that social performance has a positive effect on financial performance. This hypothesis is proven through the results of the path coefficient test from social performance to financial performance. The direct effect of social performance on financial performance is a significant positive of 0.017 and a beta value of 0.173. Good financial performance is directly explained by the level of social performance. In other words, good financial performance can occur in companies with high levels of social performance. In this analysis the path coefficient is significantly positive, thus H_2 is accepted. This means that companies that have social concerns can use sustainability information as one of the company's competitive advantages. The social information reported in the annual report attracts investors, so that the current management of the company is not only limited to managing the funds provided, but also covers the impact caused by the company on the social environment.

6.3 The Effect of Environmental Performance on Financial Performance

The results of testing the third hypothesis (H_3) show that environmental performance has a positive effect on financial performance. This hypothesis is proven through the path coefficient test results from environmental performance to financial performance. The direct effect of environmental performance on financial performance is a significant positive of 0.003 and a beta value of 0.218. Good financial performance is directly explained by the level of environmental performance. In other words, good financial performance can occur in companies with a high level of environmental performance. In this analysis the path coefficient is significantly positive, thus H_3 is accepted. This means that disclosure of sustainability is not just an activity, but is an obligation for the company to survive and maintain the company's survival. In addition, the company also understands the benefits that the company will receive in the future, such as building the company's reputation, such as increasing the company's share price, obtaining established and potential investors, a conducive environment.

6.4 The Effect of Economic Performance on Firm Value

The results of testing the fourth hypothesis (H_4) show that economic performance harms firm value. This hypothesis is proven through the path coefficient test results from economic performance to firm value. The direct effect of economic performance on firm value is significantly negative at 0.042, and the beta value is -0.146. A good company value is explained directly by the level of economic performance. In other words, good corporate value can occur in companies with low levels of economic performance. In this analysis the path coefficient is significantly negative, thus H_4 is accepted. This means that disclosure of the sustainability of economic performance against firm value indicates that the size of the economic performance has an impact on firm value. In general, investors in Indonesia are more likely to buy shares to obtain capital gains, who tend to buy and sell shares daily. Disclosure of economic performance is a company's long-term strategy to maintain the sustainability of the company.

6.5 The Influence of Social Performance on Company Value

The results of testing the fifth hypothesis (H_5) show that social performance does not harm firm value. This hypothesis is proven through the path coefficient test results from economic performance to firm value. The direct effect of social performance on firm value is insignificant negative at 0.414, and the beta value is -0.057. Poor corporate value is explained directly by the level of social performance. This in other words, bad company value can occur in companies with low levels of social performance. In this analysis the path coefficient is significantly negative, thus H_5 is rejected. This means that social performance carried out in a company is not only to show concern and legitimize the company's activities towards stakeholders, but this social performance is used to protect the position and safeguard the interests of managers. Investors tend not to see investing in companies that have good industrial relations, underage workers, community involvement in the company. Investors' awareness of social performance is still low and social conditions in Indonesia are less of a concern. Because investors see more confidence in the company in providing a positive response to the movement of stocks that tend to rise.

6.6 The Effect of Environmental Performance on Firm Value

The results of testing the sixth hypothesis (H_6) show that environmental performance has a positive effect on firm value. This hypothesis is proven through the path coefficient test results from economic performance to firm value. The direct effect of economic performance on firm value is a significant positive of 0.005, and a beta value of 0.202. A good company value is explained directly by the level of economic performance. In other words, good corporate value can occur in companies with high levels of economic performance. In this analysis the path coefficient is significantly negative, thus H6 is accepted. This means that companies are not only agents of community development. The company is an entity that aims to seek economic gain, but in its business, it is not allowed to damage the environment and the socio-economic order of the community. The company must also protect the environment and to the maximum extent possible maximize the social and economic benefits of the surrounding community.

6.7 The Effect of Financial Performance on Firm Value

The results of testing the seventh hypothesis (H_7) show that financial performance has a positive effect on firm value. This hypothesis is proven through the path coefficient test results from economic performance to firm value. The direct effect of financial performance on firm value is a significant positive of 0.000, and a beta value of 0.334. A good company value is explained directly by the level of financial performance. In other words, good corporate value can occur in companies with high levels of financial performance. In this analysis the path coefficient is significantly positive, thus H_7 is accepted. This means that the level of the company's financial performance is a consideration for investors to buy shares, because investors buy shares to get profit. Profit information published through annual financial reports is one of the relevant information for investors as a basis and material for consideration in making investment decisions in the capital market, particularly in buying and selling shares traded on the Indonesia Stock Exchange.

Table 2 Hypothesis Testing Results 8a-8c

Hypothesis	Variable	Sobel Test	Information
H_{8a}	Economic Performance→ Financial Performance →Firm Value	-2,742	Significant
H_{8b}	Social Performance → Financial Performance →Firm Value	-0,775	Significant
H_{8c}	Environmental Performance →Financial Performance →Firm Value	2,073	Significant

6.8 The Influence of Economic, Social, Environmental Performance on Firm Value through Financial Performance

The results of testing the eighth hypothesis a (H_{8a}) show that economic performance harms firm value through financial performance. This hypothesis is proven through the results of the path coefficient test from economic performance to firm value through financial performance. The direct effect of economic performance on firm value through financial performance is a significant positive of -2,742. A good company value is explained indirectly by the level of economic performance. This means that the better company value and good financial performance, the better the economic performance. In this analysis the path coefficient is significantly negative, thus H_{8a} is accepted. This means that financial performance is proven to be able to mediate the effect of economic performance on firm value.

The results of testing the eighth hypothesis b (H_{8b}) show that social performance harms firm value through financial performance. This hypothesis is proven through the results of the path coefficient test from social performance to firm value through financial performance. The direct effect of social performance on firm value through financial performance is a significant positive of -0.775. Good corporate value is explained indirectly by the level of social performance. This means that the better company value and good financial performance, the better the social performance. In this analysis the path coefficient was tested negative significantly, thus H_{8b} is accepted. This means that financial performance is proven to be able to mediate the effect of social performance on firm value.

The results of testing the eighth hypothesis c (H_{8c}) show that environmental performance has a positive effect on firm value through financial performance. This hypothesis is proven through the path coefficient test results from environmental performance to firm value through financial performance. The direct effect of environmental performance on firm value through financial performance is a significant positive of 2.073. Good corporate value is explained indirectly by the level of environmental performance. This means that the better company value and good financial performance, the better the environmental performance. In this analysis the path coefficient is significantly positive, thus H_{8c} is accepted. This means that financial performance is proven to be able to mediate the effect of environmental performance on firm value.

7. Conclusions

This study aims to determine the effect of disclosure on the sustainability of economic, social and environmental performance on firm value and financial performance. This study resulted in ten important findings, namely: [1] economic performance has a positive effect on financial performance, [2] social performance has a positive effect on financial performance, [3] environmental performance has a positive effect on financial performance, [4] economic performance harmsfirm value, [5] social performance has no negative effect on firm value, [6] environmental performance has a positive effect on firm value, [7] financial performance has a positive effect on firm value, [8] economic performance harms firm value through financial performance, [9] social performance harms firm value through financial performance, [10] environmental performance has a positive effect on firm value through financial performance.

This study has several limitations. This study does not discuss other variables outside the five variables, namely economic, social, environmental, financial performance and firm value. This study only examines the effect of economic, social, environmental and firm value performance on manufacturing companies. This study does not discuss the same effect on trading and service companies.

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