



The influence of gender diversity in corporate governance and sustainability report disclosure on firm performance

Aditya Septiani*, Etna Nur Afri Yuyetta, Ravenda Labitta Arsyi

Department of Accounting, Faculty of Economics and Business, Diponegoro University, Tembalang Semarang, Indonesia

Corresponding Author: Aditya Septiani

Abstract

This study aims to understand the relationship between gender diversity in corporate governance and the disclosure of sustainability report variables towards the firm performance. This research used a sample of 41 non-financial companies listed on The Indonesia Stock Exchange in 2018. The firm performance measurement used the Return on Assets (ROA) ratio. This research shows that the economic dimension of the sustainability disclosure variable has a positive and significant relationship with firm performance. There is a negative and significant influence between the proportion of woman board of directors towards firm performance. However, there is no influence between the proportion of woman board of commissioners the proportion of women audit committees, the disclosure of environmental dimension, and the social dimension of sustainability report disclosure toward the firm performance by Indonesian non-financial companies.

Keywords: gender diversity, corporate governance, sustainability report, firm performance

Introduction

The company has a vision, mission, and goals to be achieved to maintain and develop its business in a better direction. All achievements in various company activities are reflected in the firm's performance. Measuring firm performance is considered good if it gains the trust of shareholders to invest their funds and expects security and good returns. Problems related to the economic crisis in Asian countries 1997 and the fraudulent accounting practice scandals by WorldCom and Enron in early 2000 reflected the company's poor performance and weak protection of shareholders (Taghizadeh & Saremi, 2013)^[34]. The way that firm management can restore the performance of companies affected by the financial crisis is to create an integrated tool called corporate reporting (Karyawati *et al.*, 2017)^[19], which contains financial performance and non-financial performance during the accounting period. Company reports containing non-financial performance such as sustainability report the implementation of the organization's reporting to the public about its economic, social, and environmental impacts, and its contribution to sustainable development goals. (GRI, 2016)^[15].

In Indonesia, the regulation on the importance of environmental and social responsibility is contained in Law No. 40 of 2007. However, the disclosure of sustainability reports in Indonesia as a form of social responsibility is still voluntary, so it has yet to be implemented by all public companies in Indonesia. As a result, global problems related to environmental and social issues are still common. The concept of sustainability is carried out in implementing good corporate governance (GCG). The organization's strength to maintain long-term performance is determined by the ability of top management to organize the appropriate activities and strategies (Riyadh *et al.*, 2019)^[28]. Elements of corporate governance, such as the board of commissioners, board of directors, and audit committee, are essential elements of the company. They are responsible for

corporate reporting, critical decision-making, and monitoring of company performance.

One of the significant issues about governance is the gender composition of the board structure. Marilyn Loden 1978 investigated the phenomenon of the "glass ceiling", which describes the barriers for women as an element of gender diversity in carrying out their work in organizations. This term considers women as a minority, and achieving high positions in the company is challenging. This study aims to analyze and provide empirical evidence of the effect of gender diversity in corporate governance and disclosure of sustainability reports on company performance as proxied by return on assets (ROA).

Theoretical review and hypothesis

Agency theory is a cooperative agreement between the principal and agent in providing services (Jensen dan Meckling, 1976)^[18]. The principal delegates authority to the agent for decision-making. This theory assumes that the agent has more company information but wants to avoid providing this information to the principal and prioritizes his interests so that it can make the principal make appropriate decisions. This is contrary to the agent's responsibility to maximize the principal's interests so that agency problems arise in the form of information asymmetry due to differences in interests.

Stakeholder theory refers to an organization considered an entity that operates and benefits all stakeholders (Freeman, 1984)^[15]. The principle of this theory is that companies running their business to survive depend on stakeholders because they are considered to have provided useful economic resources for the company's progress (Ghozali dan Chariri, 2007; Hill dan Jones, 1992)^[17].

Legitimacy theory consists of two value systems, namely the value of the company and the value of society which are mutually compatible (Dowling dan Pfeffer, 1975)^[13]. The organization is said to be successful if it is managed by

management who ensures that the organization's activities are run by the norms and expectations of external parties until it is said to be something legitimate (Deegan, 2004) [12].

Corporate Governance (CG) is related to company activities, such as performance, efficiency, growth, financial system, and attitude toward all stakeholders (Claessens, 2006) [10]. Elements of corporate governance, such as the board of commissioners, board of directors, and audit committee, are important elements of the company and are responsible for corporate reporting, important decision-making, and monitoring of company performance.

Gender is one of the statuses that describes a person's characteristics that are formed socially, culturally, and psychologically (Hassan dan Marimuthu, 2018) [16]. Companies need a gender composition (male and female) who have different knowledge and experience in making board decisions to improve performance and good corporate governance (Carter *et al.*, 2003; Pucheta-Martínez *et al.*, 2018) [8, 26].

The sustainability report is an organization's practice of publicly reporting on its economic, social, and environmental impacts and their contribution to sustainable development goals (GRI, 2016) [15]. The sustainability report uses the triple bottom line (TBL) concept: profit, people, and planet (Elkington, 1997) [14].

The firm's performance describes the overall condition of the company in a certain period and the achievement of the results of the company's operations on the implementation of objectives by using the resources used. In general, the term performance is used for part or all of the company's activities each period with several standards such as projections of costs for the previous period, efficiency basis, and management accountability (Srimindarti, 2004) [31].

The influence of women's board of commissioner on firm performance

The board of commissioners has a role in supervising and controlling the activities carried out by the company's directors so that they run according to the needs of stakeholders. The presence of women on the board can be a tool for effective oversight mechanisms in reducing the agency costs of stakeholders and increasing the credibility of the company's strategic management. This supervisory and controlling function will be enhanced by the role of women in the board of commissioners because in its application women commissioners are associated with independence (Francoeur *et al.*, 2008 dalam Velte, 2017) [37]. Research conducted by Wang (2020) [39] and Arayssi *et al.*, (2016) [3] shows that an improved board oversight process sends a positive signal to stakeholders about long-term orientation, benefiting shareholder welfare at a significantly reduced risk level and improving firm performance. Then the hypothesis that can be formulated based on the explanation above is:

H1: The proportion of women's board of commissioners has a positive effect on firm performance

The influence of women's board of directors on firm performance

The board of directors plays a role in determining policies and making strategies for company resources (Sukandar dan Rahardja, 2014) [33] for the company's and stakeholders' benefit. Boards of directors with different skills, backgrounds, and genders can provide strategic resources (Ujunwa *et al.*, 2012) [32]. In this case, different views and perceptions of gender diversity can provide alternative offerings for the board of directors to decide on company operations and allow more careful consideration of these alternatives (Carter *et al.*, 2003) [8]. So that the characteristics, abilities, and experience of each director can increase the profitability and value of the company. Hassan dan Marimuthu (2018) [16] argue that the participation of women on the board of directors can improve the company's internal operations and increase revenue. Then the hypothesis that can be formulated based on the explanation above is:

H2: The proportion of women's board of directors has a positive effect on firm performance

The influence of women's audit committee on firm performance

The audit committee assists the supervisory process of the board of commissioners to the company's management based on differences in interests that arise between the principal and the agent (Jensen dan Meckling, 1976) [18]. The significant role of the audit committee in the company requires increasing diversity in the composition of the audit committee (Oradi dan Izadi, 2020) [24]. Research by Aldamen *et al.* (2018) [2] revealed the role of women on audit committees wanting higher quality audit information. This action can reduce the auditor's failure to detect financial statement errors. In addition, the presence of women can reduce management's opportunistic behavior in meeting the needs of stakeholders to improve company performance. Then the hypothesis that can be formulated based on the explanation above is:

H3: The proportion of women's audit committees has a positive effect on firm performance

The influence of the economic dimension of sustainability on firm performance

Based on stakeholder theory, the disclosure of the economic dimension of sustainability is an internal factor that facilitates the company's internal ability to run the business and improve firm performance. The comp in maintaining its business continuity depends on stakeholders because it is considered to have provided useful economic resources for the company's progress (Badriyah *et al.*, 2015) [4]. The economic dimension of sustainability reports can reduce the level of risk and can convince potential investors (Wijayanti, 2016) [40]. Research by Ernst dan Young (2013) and Cahyandito (2010) [7] shows that investors are increasingly interested in investing in companies with high transparency because it will lead to more trust between managers and stakeholders, forecast the right company analysis, and reduce the level of information asymmetry. The company's assets will increase in line with the increasing firm's performance. Then the hypothesis that can be formulated based on the explanation above is:

H4: Economic dimension of sustainability has a positive effect on firm performance

The influence of the environmental dimension of sustainability on firm performance

Companies are currently getting impetus for environmental performance practices from the law and stakeholder pressure. When running a business, stakeholders ask for information about the company's environmental impact, and vice versa (Mousa dan Hassan, 2015) ^[23]. The company's environmental dimension is largely determined by the effective use of sustainable resources and the energy produced does not pollute the environment (Masocha, 2018) ^[22]. In their research, Ernst dan Young (2013) stated that in addition to creating transparency in the firm's performance, sustainability reports can provide knowledge for companies in managing natural resources efficiently and effectively. In this context, Masocha (2018) ^[22]; Madaleno and Vieira (2020) ^[20]; Tarigan and Samuel (2014) ^[35] found a positive relationship between the practice of disclosing the environmental dimension of sustainability and firm performance. Then the hypothesis that can be formulated based on the explanation above is:

H5: Environmental dimension of sustainability has a positive effect on firm performance

The influence of the social dimension of sustainability on firm performance

The social dimension in the sustainability report focuses on ensuring that the company in carrying out its activities, in addition to making profits, simultaneously strives for the community's welfare. To achieve these benefits, companies are prohibited from sacrificing social degradation in achieving their goals (Abdul-Rashid *et al.*, 2017) ^[1]. Companies must carry out their business activities through activities that do not endanger the community's existence so that the company will gain the trust of stakeholders (Burlea-schiopoiu dan Popa, 2013) ^[6]. Then the hypothesis that can be formulated based on the explanation above is:

H6: Social dimension of sustainability has a positive effect on firm performance

Research methods

Dependent variable

This research uses the dependent variable of firm performance which is proxied using the level of profitability ratios to determine the extent to which the effectiveness of the company's performance in earning profits by using assets owned (Sartono, 2010) ^[29]. The profitability ratio uses Return on Assets (ROA) which is measured by the following formula (Prawironegoro dan Purwanti, 2009):

$$\text{ROA} = \text{net income}/\text{total assets}$$

Independent variable

The proportion of women on the Board of Commissioners is known through the percentage of the number of women Board of Commissioners compared to the total of all members of the Board of Commissioners. The measurement of the variable proportion of women commissioners (WOBC) refers to the research of Hassan and Marimuthu (2018) ^[16] using the following formula:

$$\text{WOBC} = \text{women board of commissioner/allmembers board of commissioner} \times 100\%$$

The proportion of women board of directors is known through the percentage of the number of women board of directors compared to the total of all board of directors members. The measurement of the variable proportion of the female board of directors (WOBD) refers to the research of Marinova *et al.* (2016) ^[21] by using the following formula:

$$\text{WOBD} = \text{women board of directors/all membersboard of directors} \times 100\%$$

The proportion of women audit committees is known through the percentage of the number of women audit committees compared to the total number of committee members. The measurement of the proportion of the female audit committee (WOAC) variable refers to the research of Thiruvadi and Huang (2011) ^[36] and Velte (2018) ^[38] using the following formula:

$$\text{WOBD} = \text{women board of directors/all members board of directors} \times 100\%$$

The economic dimension of the sustainability report consists of 13 assessment items.

Each item that is disclosed is given a value of 1, if there are items that are not disclosed, it is given a value of 0 which is then added up as a whole. The variable of the economic dimension of sustainability is proxied by the Economic Disclosure Index (EcDI) in this research. The measurement of the EcDI variable uses the following formula:

$$\text{EcDI} = \frac{n}{k}$$

The environmental dimension of the sustainability report consists of 30 assessment items. Each item that is disclosed is given a value of 1, if there are items that are not disclosed, it is given a value of 0 which is then added up as a whole. The variable of the environmental dimension of sustainability is proxied by the Environmental Disclosure Index (EcDI) in this research. The measurement of the EnDI variable uses the following formula:

$$\text{EnDI} = \frac{n}{k}$$

The social dimension of the sustainability report consists of 34 assessment items. Each item that is disclosed is given a value of 1, if there are items that are not disclosed, it is given a value of 0 which is then added up as a whole. The variable of the social dimension of sustainability is proxied by the Social Disclosure Index (EcDI) in this research. The measurement of the SoDI variable uses the following formula:

$$\text{SoDI} = \frac{n}{k}$$

Population and sample

The population used in this research are non-financial companies listed on The Indonesia Stock Exchange in 2018. The purposive-sampling method is used to determine the

research sample with certain objectives and considerations (Sugiyono, 2015). The criteria for selecting the research sample include (1) Non-financial companies listed on the Indonesia Stock Exchange (IDX) in 2018, (2) Non-financial companies that publish sustainability report in 2018, (3) Non-financial companies that use the GRI Standards 2016 disclosure index in their sustainability report for the period 2018, (4) Non-financial companies with complete data and according to research variables.

Data analysis method

The data analysis method used is descriptive statistical analysis and multiple linear regression analysis, which aims to analyze the influence of gender diversity in corporate governance and sustainability reports on company performance. In testing the hypothesis, it is described by a regression equation model as follows:

$$ROA = \beta_0 + \beta_1WOBC + \beta_2WOBD + \beta_3WOAC + \beta_4EcDI + \beta_5EnDI + \beta_6SoDI + \beta_7LEV + \beta_8FIRMSIZE + \beta_9FIRMAGE + \beta_{10}GROWTH + e$$

Notes

ROA	Return on Assets
WOBC	Proportion of Women Board of Commissioner
WORD	Proportion of Women Board of Director
WOAC	Proportion of Women Audit Committee
EcDI	Economic Dimension of Sustainability
EnDI	Environmental Dimension of Sustainability
SoDI	Social Dimension of Sustainability
LEV	Leverage
FIRM SIZE	Firm Size
FIRMAGE	Firm Age
GROWTH	Sales Growth

Results and discussions

Description of research object

Table 1: Research Sample

No.	Criteria	Total
1.	Non-financial companies listed on the Indonesia Stock Exchange (IDX) in 2018	519
2.	Non-financial companies that don't publish sustainability reports in 2018	(464)
3.	Non-financial companies that don't use the GRI Standards 2016 index in 2018	(3)
4.	Non-financial companies that do not have complete data and according to research variables	(5)
	Total	47
	Outlier	(6)
	Total research sample	41

Source: Processed secondary data results, 2021

Based on Table 1, 47 non-financial companies publish financial, annual, and sustainability reports with the GRI Standards 2016 index 2018. Of 519 companies, 464 don't publish sustainability reports, 3 don't use the sustainability disclosure index based on the GRI Standards 2016, and 5 don't have data conformity with research variables, so a

research sample was obtained from 47 companies. Furthermore, 6 research samples were excluded because they were indicated as outlier data, so the final sample from this research is 41 non-financial companies in 2018.

Descriptive statistic

Table 2: Descriptive Statistics of Research Variables

No.	Variable	N	Minimum	Maximum	Mean	Std. Deviation
1.	ROA	41	-0,0872	0,2119	0,04845	0,05867
2.	WOBC	41	0,0000	0,3333	0,0807	0,1182
3.	WOBD	41	0,0000	0,4000	0,0792	0,1341
4.	WOAC	41	0,0000	0,3333	0,1528	0,1555
5.	EcDI	41	0,0769	0,9231	0,3621	0,2022
6.	EnDI	41	0,0000	0,6000	0,2659	0,1589
7.	SoDI	41	0,0294	0,7941	0,3250	0,1763
8.	LEV	41	0,1303	0,8131	0,5321	0,1993
9.	FIRM SIZE	41	28,2562	32,3870	30,5096	1,0011
10.	FIRMAGE	41	0	41	14,6829	10,4270
11.	GROWTH	41	-0,1516	1,4352	0,1953	0,2814

Source: Processed secondary data results, 2021

Table 2 shows the ROA variable has a minimum value of -0.0872 with a maximum value of 0.2119. This indicates that as many as 41 samples of non-financial companies in 2018 in this research with the lowest ROA value of -8.72% found in PT Bakrie & Brothers Tbk and the highest ROA value of 21.19% found in PT Bukit Asam Tbk. The mean ROA value of 0.0485 indicates that the average non-financial company used in this research sample can obtain a net profit of 4.85% of the total assets used by the company. The WOBC variable has a minimum, maximum, mean, and standard deviation of 0.0000, 0.3333, 0.0807, and 0.1182,

respectively. It can be seen that the average presence of women in the structure of the board of commissioner is still low, which is 0.0807 or 8.07% and the rest is dominated by male members of the board of commissioners based on the sample in this research.

The WOBD variable has a minimum, maximum, mean, and standard deviation of 0.0000, 0.4000, 0.0792, and 0.1341, respectively. This shows that the average presence of women in the board of directors structure is still relatively low, at 0.0792 or 7.92%. The board of director structure

used in the sample is still dominated by male board members.

The WOAC variable has a minimum, maximum, mean, and standard deviation of 0.0000, 0.3333, 0.1528, and 0.1555, respectively. The average value of 0.1528 indicates that the proportion of women in the audit committee structure is only 15.28% of the total number of audit committee members. Hence, the audit committee structure is less diverse and most of the audit committee members in this study sample are male.

The EcDI variable has a minimum, maximum, mean, and standard deviation of 0.0769, 0.9231, 0.3621, and 0.2022, respectively. The average value of 0.3621 or 36.21% indicates that the economic dimension of sustainability is low for non-financial companies in 2018 in this research.

The EnDI variable has a minimum value of 0.0000 and a maximum value of 0.6000 owned by PT Solusi Bangun Indonesia Tbk. (SMCB). This shows that some sample companies do not disclose the environmental dimension of sustainability. The average value is 0.2659 and the standard deviation is 0.1589.

The SoDI variable has a minimum, maximum, mean, and standard deviation of 0.0294, 0.7941, 0.3250, and 0.1763 respectively. The minimum value of 0.0294 is found at PT Adhi Karya (Persero) Tbk. (ADHI) and the maximum value of 0.7941 is found at PT Bukit Asam Tbk. (PTBA).

LEV variable has a minimum, maximum, mean, and standard deviation of 0.1303, 0.8131, 0.532, and 0.1993 respectively. This shows that the lowest leverage value of

0.1303 or 13.03% is found at PT Industri Jamu and Farmasi Sido Muncul Tbk. (SIDO) and the highest leverage value of 0.8131 or 81.31% is found at Bakrie & Brothers Tbk. (BNBR).

FIRM SIZE variable has minimum, maximum, mean, and standard deviation values of 28.2562, 32.3870, 30.5096, and 1.0011, respectively. The minimum value of 28,2562 is found in PT Phapros Tbk (PEHA) and has the smallest total assets of Rp. 1,868,663,546,000. In addition, the maximum value of 32.3870 is found in United Tractors Tbk. (UNTR) and has the largest total assets of Rp. 116,281,017,000,000. So it can be concluded that the research sample as a whole is included in large-scale companies because it has a wealth of more than one hundred billion rupiahs which is reflected in total assets according to Pasal 1 Keputusan Ketua Badan Pengawas Pasar Modal Nomor KEP- 11/PM/1997.

FIRMAGE variable has a minimum value of 0, a maximum value of 41, an average value of 14.6829, and a standard deviation of 10.4270. The minimum value of 0 is at PT Phapros Tbk (PEHA) and the maximum value of 41 is at PT Solusi Bangun Indonesia Tbk (SMCB).

GROWTH variable in this research has a minimum, maximum, mean, and standard deviation of -0.1516, 1.4352, 0.1953, and 0.2814, respectively. The minimum value of -0.1516 or -15.16% is for PT PP London Sumatra Indonesia Tbk (LSIP) and the maximum value of 1.4352 or 143.52% is for PT Merdeka Copper Gold Tbk (MDKA).

Hypothesis test results

Table 3: Individual Parameter Significant Test Results (t-Test)

Coefficients	Beta	t	Sig.
Model (Constant)	0,159	0,635	0,530
The proportion of the Women's Board of Commissioner	0,126	1,804	0,081
Proportion of Women Board of Directors	-0,139	-2,332	0,027
The proportion of Women Audit Committee	0,002	0,042	0,966
Economic Dimension of Sustainability	0,136	2,511	0,018
Environmental Dimension of Sustainability	0,053	0,859	0,397
Social Dimension of Sustainability	-0,100	-1,527	0,137
Leverage	-0,195	-4,295	0,000
Firm Size	-0,001	-0,064	0,949
Firm Age	-0,001	-1,665	0,106
Sales Growth	-0,002	-0,076	0,940

a. Dependent Variable: Firm Performance

Source: Processed secondary data results, 2021

The t-test on the variable proportion of women board of commissioners showed results of 1.804 but insignificant due to a significance value of 0.081 > 0.05. Based on the results of these tests show that the proportion of women commissioners does not affect the firm's performance. Therefore, the first hypothesis is rejected.

Furthermore, the variable proportion of women's board of directors has a t-value of - 2332 and a significance value of 0.027 < 0.05. So it can be concluded that the proportion of women board of directors negatively and significantly affects firm performance. Therefore, the second hypothesis is rejected.

The variable proportion of women's audit committee has a t value of 0.042 and a significance value of 0.966 > 0.05. Based on the results of these tests, it can be concluded that the proportion of women on audit committees does not

affect firm performance. Therefore, the third hypothesis is rejected.

The economic dimension of the sustainability disclosure variable has a t value of 2.511 and a significance value of 0.018 < 0.05, so it can be concluded that the disclosure of the economic dimension of sustainability has a positive and significant effect on firm performance. Based on the test results, the fourth hypothesis in this research is accepted.

The environmental dimension of the sustainability disclosure variable has a t value of 0.859 but is insignificant due to a significance value of 0.397 > 0.05. Based on the results of these tests, it can be concluded that the environmental dimension of sustainability doesn't affect the firm's performance. Therefore, the fifth hypothesis is rejected.

The social dimension of the sustainability disclosure variable has a t value of -1.527 and a significance value of $0.137 > 0.05$. Based on the results of these tests, it can be concluded that the social dimension of sustainability disclosure does not affect firm performance. Therefore, the sixth hypothesis is rejected.

The next section describes the relationship of each control variable to the dependent variable. Although the control variable is not included in the hypothesis, the control variable is still tested on the dependent variable.

Leverage has a negative and significant t-test result. The t-test results value of -

4.295 and a significance value of $0.000 < 0.05$. So it can be concluded that leverage negatively and significantly affects firm performance. Furthermore, the firm size has a t-value of -0.064 and a significance value of $0.949 > 0.05$. So it can be concluded that the firm size doesn't affect the firm's performance. The firm age has a t-value of -1.665 and a significance value of $0.106 > 0.05$. So the conclusion is that firm age doesn't affect the firm's performance. Then sales growth has a t value of -0.076 and a significance value of $0.940 > 0.05$. So it can be concluded that sales growth does not affect firm performance.

Discussions

The influence of proportion of women board of commissioners on firm performance

This research's first hypothesis (H1) shows that the proportion of women commissioners doesn't affect the firm's performance. The results of this study on the proportion of women Board of Commissioners do not affect firm performance because the number of women members in the structure of the Board of Commissioners is less than the number of men members.

This result is by agency theory which states that there is no definite relationship between the diversity of the board of commissioner structure in improving firm performance. These results support previous research by Darmadi (2013)^[11], Pasaribu *et al.* (2019)^[25], and Ramadhani and Adhariani (2015)^[27] who found that the proportion of women commissioners did not affect firm performance. The presence of women who are too high in the structure of the board of commissioners can lead to over-monitoring and limit the company's actions in strategic decision-making so that the risk resulting from excessive monitoring can reduce the firm's performance.

The influence of proportion of women board of directors on firm performance

The second hypothesis (H2) in this research shows that the proportion of women board of directors has a negative and significant effect on firm performance. The more proportion of women in the company's board of director structure, the lower firm's performance. The large number of women board members can reduce the effectiveness of strategic decision-making and corporate commitment. This study's results align with research by Darmadi (2013)^[11] and Madaleno and Vieira (2020)^[20], which show that the higher proportion of women board of directors, the lower firm's performance. The increasingly diverse composition of the board can increase communication problems and hinder the board's decision-making process (Wang, 2020)^[39].

The influence of proportion of women audit committee on firm performance

The third hypothesis (H3) in this research shows that the proportion of women on audit committees doesn't have a significant effect on firm performance. The results of hypothesis testing are in line with the research conducted by Carter *et al.* (2010)^[9], Madaleno and Vieira (2020)^[20], and Taghizadeh and Saremi (2013)^[34] who found there was no effect between the proportion of women audit committee and firm performance. The presence of women is seen as more conservative and more risk-averse, thus causing a decrease in stakeholder confidence.

The influence of the economic dimension of sustainability disclosure on firm performance

The fourth hypothesis (H4) in this research shows that the economic dimension of sustainability has a positive and significant effect on firm performance. These results are the same as the results of research conducted by Bukhori and Sopian (2017)^[5] and Wijayanti (2016)^[40] which found a positive and significant influence between the economic dimension of sustainability and firm performance. In stakeholder theory, the economic dimension of sustainability is an important tool to achieve good corporate governance and can improve firm performance, especially financial performance. Transparency in reporting on the economic dimension of sustainability can increase the confidence of investors and stakeholders. Support and trust from stakeholders will encourage the company to improve its performance.

The influence of the environmental dimension of sustainability disclosure on firm performance

The fifth hypothesis (H5) in this research shows that the environmental dimension of sustainability doesn't affect the firm's performance. The results of hypothesis testing support previous research by Karyawati *et al.* (2017)^[19], Riyadh *et al.* (2019)^[28], Sejati and Prastiwi (2015)^[30] which show that there is no significant effect between the environmental dimension of sustainability and firm performance. The company disclosing the sustainability report only focuses on environmental aspects. It has not linked these environmental aspects to the company's operational activities, so it does not influence stakeholder decision-making as potential capital providers.

The influence of the social dimension of sustainability disclosure on firm performance

The sixth hypothesis (H6) shows that the disclosure of the social dimension of sustainability does not affect the firm's performance. The results of hypothesis testing support previous research by Karyawati *et al.* (2017), Riyadh *et al.* (2019)^[28], Sejati and Prastiwi (2015)^[30] which show that there is no significant effect between the social dimension of sustainability and firm performance. Stakeholders do not need the company's efforts in dealing with social problems in influencing stakeholder decision-making and policies (Sejati and Prastiwi, 2015)^[30]. In addition, there is a conventional view related to the costs that companies must incur to improve the welfare of society and employees are considered to reduce profitability, thereby causing competitive losses (Riyadh *et al.*, 2019)^[28].

Conclusions and suggestions

Based on the background, theoretical review, data analysis, and the results of the tests conducted on the research hypothesis, it proves that

1. The economic dimension of the sustainability report has a positive and significant impact on a firm's performance. Transparency in the disclosure of the economic dimension of sustainability reports can increase stakeholder confidence in managing a low level of risk from the capital resources provided by the company, so that support and trust from stakeholders will encourage companies to improve their performance. (Bukhori & Sopian, 2017) ^[5]
2. The proportion of women's board of directors negatively and significantly impacts a firm's performance. The presence of women in the board of directors structure is considered to have family relationships within the company, so it is difficult to measure the actual competence related to efforts to improve company performance (Darmadi, 2013) ^[11]. Women are also seen as conservative and risk-averse individuals, thereby lowering stakeholder trust.
3. The proportion of women board of commissioners, the proportion of women audit committees, the disclosure of the environmental dimension of sustainability, and the disclosure of the social dimension of sustainability do not affect the firm's performance. Based on the hypothesis test shows that each variable has a significant value above 0.05.

This research has several limitations, including

1. The lack of data and samples is the object of research because few companies in Indonesia still disclose sustainability reports and some don't include a sustainability disclosure index.
2. Companies that are limited in providing information about gender diversity in the corporate governance structure in annual reports
3. Measuring firm performance with a ROA proxy doesn't fully explain the company's overall performance, so further research is needed.

Based on the results and conclusions obtained, the suggestions for further research are

1. Research on the disclosure of sustainability reports should be carried out due to the adjustment of standards from the Global Reporting Initiative (GRI) following the latest years, such as GRI 303 Water and Effluent (2018) and GRI 306 Waste (2020), so that further research is expected.
2. Further researchers can add characteristics of gender to other corporate governance, such as background, age, knowledge, and experience.
3. Future research can use other firm performance measurement ratios, such as solvency, liquidity, and activity ratios.

References

1. Abdul Rashid SHH, Sakundarini N, Ghazilla RAR, Thuramy R. The Impact of Sustainable Manufacturing Practices on Sustainability Performance: Empirical Evidence from Malaysia. *International Journal of Operations & Production Management*, 2017, 37(2).
2. Aldamen H, Hollindale J, Ziegelmayer JL. Female Audit Committee Members and Their Influence on Audit Fees. *Accounting and Finance*, 2018;58(1):57–89.
3. Arayssi M, Dah M, Jizi M. Women on Boards, Sustainability Reporting and Firm Performance. *Sustainability Accounting, Management and Policy Journal*, 2016, 7(3).
4. Badriyah N, Sari RN, Basri YM. The Effect of Corporate Governance and Firm Characteristics on Firm Performance and Risk Management as an Intervening Variable. *Procedia Economics and Finance*, 2015;31:868–875.
5. Bukhori MRT, Sopian D. Pengaruh Pengungkapan Sustainability Report Terhadap Kinerja Keuangan. *Jurnal SIKAP (Sistem Informasi, Keuangan, Auditing Dan Perpajakan)*, 2017;2(1):35–48.
6. Burlea Schiopoiu A, Popa I. Legitimacy Theory. *Encyclopedia of Corporate Social Responsibility*, 2013;21:1579–1584.
7. Cahyandito F. Pembangunan Berkelanjutan, Ekonomi dan Ekologi, Sustainability Communication dan Sustainability Reporting. *Jurnal Bisnis Dan Manajemen*, 2010, 5(1).
8. Carter DA, Betty J Simkins, Simpson WG. Corporate Governance, Board Diversity, and Firm Value. *The Financial Review*, 2003;38(1):33–53.
9. Carter DA, D Souza F, Simkins BJ, Simpson WG. The Gender and Ethnic Diversity of US Boards and Board Committees and Firm Financial Performance. *Corporate Governance: An International Review*, 2010;18(5):396–414.
10. Claessens S. Corporate Governance and Development. *World Bank Research Observer*, 2006;21(1):91–122.
11. Darmadi S. Do Women in Top Management Affect Firm Performance? Evidence from Indonesia. *Corporate Governance: The International Journal of Business in Society*, 2013;13(3):288–304.
12. Deegan C. *Financial Accounting Theory*. Sidney: McGraw, 2004.
13. Dowling J, Pfeffer J. Organizational Legitimacy: Social Values and Organizational Behavior. *The Pacific Sociological Review*, 1975;18(1):122–136.
14. Elkington J. *Cannibals with Forks, The Triple Bottom Line of 21st Century Business*. Oxford. UK: Capstone, 1997.
15. Freeman RE. *Strategic Management: A Stakeholder Approach*. Boston, Pitman. GRI. (2016). GRI Standards. Global Reporting Initiative, 1984.
16. Hassan R, Marimuthu M. Bridging and Bonding: Having a Muslim Diversity on Corporate Boards and Firm Performance. *Journal of Islamic Accounting and Business Research*, 2018.
17. Hill CWL, Jones TM. Stakeholder-Agency Theory. *Journal Of Management Studies*, 1992;29(2):131–154.
18. Jensen MC, Meckling WH. Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure. *Journal of Financial Economics*, 1976;3:305–360.
19. Karyawati NNA, Yuniarta GA, Sujana E. Pengaruh Tingkat Pengungkapan Laporan Keberlanjutan Terhadap Kinerja Keuangan Perusahaan. *JIMAT*

- (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha, 2017, 7(1).
20. Madaleno M, Vieira E. Corporate Performance and Sustainability: Evidence from Listed Firms in Portugal and Spain. *Energy Reports*,2020:6:141–147.
 21. Marinova J, Plantenga J, Remery C. Gender diversity and firm performance: evidence from Dutch and Danish boardrooms. *The International Journal of Human Resource Management*,2016:27(15):1777–1790.
 22. Masocha R. Does Environmental Sustainability Impact Innovation, Ecological and Social Measures of Firm Performance of SMEs? Evidence from South Africa. *Sustainability*,2018:10(11):3855.
 23. Mousa GA, Hassan NT. Legitimacy Theory and Environmental Practices: Short Notes. *International Journal of Business and Statistical Analysis*,2015:2(1):41–53.
 24. Oradi J, Izadi J. Audit Committee Gender Diversity and Financial Reporting: Evidence from Restatements. *Managerial Auditing Journal*,2020:35(1):67–92.
 25. Pasaribu P, Masripah M, Mindosa B. Gender Diversity in the Boardroom: Evidence from Indonesia Listed Firms. *Economics and Finance in Indonesia*,2019:65(1):1–19.
 26. Pucheta Martínez MC, Bel Oms I, Olcina Sempere G. The association between board gender diversity and financial reporting quality, corporate performance and corporate social responsibility disclosure: A literature review. *Academia Revista Latinoamericana de Administración*, 2018.
 27. Ramadhani ZI, Adhariani D. Pengaruh Keberagaman Gender Terhadap Kinerja Keuangan Perusahaan dan Efisiensi Investasi. *Simposium Nasional Akuntansi*, 2015, 17.
 28. Riyadh HA, Sukoharsono EG, Alfaiza SA. The Impact of Corporate Social Responsibility Disclosure and Board Characteristics on Corporate Performance. *Cogent Business and Management*,2019:6(1):1647917.
 29. Sartono A. *Manajemen Keuangan Teori dan Aplikasi*. Yogyakarta: BPF, 2010.
 30. Sejati BP, Prastiwi A. Pengaruh Pengungkapan Sustainability Report Terhadap Kinerja dan Nilai Perusahaan. *Diponegoro Journal of Accounting*,2015:4(1):1– 12.
 31. Srimindarti C. Balanced Scorecard Sebagai Alternatif untuk Mengukur Kinerja. *Fokus Ekonomi*, 2004, 3(1).
 32. Ujunwa A, Okoyeuzu C, Nwakoby I. Corporate Board Diversity and Firm Performance: Evidence from Nigeria. *Revista de Management Comparat International*,2012:13(4):605.
 33. Sukandar PP, Rahardja R. Pengaruh Ukuran Dewan Direksi dan Dewan Komisaris serta Ukuran Perusahaan Terhadap Kinerja Keuangan Perusahaan. *Diponegoro Journal of Accounting*,2014:3(3):1–7.
 34. Taghizadeh M, Saremi SY. Board of Directors and Firms Performance: Evidence from Malaysian Public Listed Firm. *International Proceedings of Economics Development and Research*,2013:69:178.
 35. Tarigan J, Samuel H. Pengungkapan Sustainability Report dan Kinerja Keuangan. *Jurnal Akuntansi Dan Keuangan*,2014:16(2):88–101.
 36. Thiruvadi S, Huang HW. Audit Committee Gender Differences and Earnings Management. *Gender in Management*,2011:26(7):483–498.
 37. Velte P. Do Women on the Board of Directors Have an Impact on Corporate Governance Quality and Firm Performance? A Literature Review. *International Journal of Sustainable Strategic Management*,2017:5(4):302–346.
 38. Velte P. Does Gender Diversity in the Audit Committee Influence Key Audit Matters' Readability in the Audit Report? UK Evidence. *Corporate Social Responsibility and Environmental Management*,2018:25(5):748–755.
 39. Wang YH. Does Board Gender Diversity Bring Better Financial and Governance Performances? An Empirical Investigation of Cases in Taiwan. *Sustainability*,2020:12(8):3205.
 40. Wijayanti R. Pengaruh Pengungkapan Sustainability Report Terhadap Kinerja Keuangan Perusahaan. *Syariah Paper Accounting FEB UMS*,2016:6:39–51.