AN EMPIRICAL STUDY ON THE IMPACT OF SUSTAINABILITY REPORTING ON FINANCIAL PERFORMANCE: INVESTMENT EFFICIENCY AS A MODERATING VARIABLE IN THE CONTEXT OF FINANCIAL COMPANIES

Jocelyn Larisa Jono Sia[1]
Faculty of Economic and Business, Universitas Katolik Indonesia Atma Jaya, Indonesia
jocelynlarisa@gmail.com

Thia Margaretha Tarigan[2*]
Faculty of Economic and Business, Universitas Katolik Indonesia Atma Jaya, Indonesia
thia.margaretha@atmajaya.ac.id
(*Corresponding Author)

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Abstract - This study attempts to examine how sustainability reporting affects financial performance in financial firms using investment efficiency as a moderating variable listed on the Indonesia Stock Exchange (IDX). This study's sample consisted of 98 financial firms that were listed on the IDX, had complete annual reports from 2019 to 2023, and did not cease operations during that time. The data analyzed were expressed in Rupiah (IDR). The results of the study showed that Sustainability Reporting had an effect on Financial Performance, this shows that the commitment to sustainability stated in Sustainability Reporting can improve the company's Financial Performance. Furthermore, it has been demonstrated that investment efficiency moderates the relationship between financial performance and sustainability reporting. This means that businesses with effective investment management are better able to translate sustainability practices into profitable outcomes. This demonstrates that effective investment management is crucial for bolstering the beneficial impact of sustainability reporting on financial performance, boosting the company's appeal to investors, and promoting peak performance.

Keywords: Sustainability Reporting; Financial Performance; Investment Efficiency.

1. INTRODUCTION

1.1 Research Background

It is becoming increasingly essential for financial firms that are listed on the Indonesia Stock Exchange (IDX) to consider sustainability in their operations. Companies respond to this demand by providing information about the social, environmental, and economic effects of their operations through sustainability reporting. Feeney (2024) states that the goals of sustainability reporting are to improve stakeholder interactions, give a complete view of a company's performance, and boost corporate transparency. Even though sustainability reporting is now a crucial component of business strategy, there is ongoing debate on how it affects financial performance, particularly in the financial industry. Several studies have shown the positive impact of Sustainability Reporting on corporate performance by increasing reputation and investor trust. However, other opinions state that Sustainability Reporting does not directly effect corporate profitability, especially in the short term (Ronaldo, 2023; Felita

& Faisal, 2021; Weerarathna et al., 2021). This report shows the company's commitment to Sustainability, which in turn increases the trust of stakeholders, such as investors, customers, and business partners. This higher trust drives increased operational activities and better Financial Performance (Felita & Faisal, 2021).

Nevertheless, Ronaldo (2023) asserts, that sustainability reporting as a whole has no bearing on financial performance. This is because the company's net profit, which is impacted by a number of external factors like operating expenses, market demand, and governmental regulations, determines Return on Asset (ROA). Investigating additional elements, such as investment efficiency, that may improve the correlation between sustainability reporting and financial performance is crucial. According to Fajriani (2021), a company's capacity to deploy resources optimally in order to optimize outcomes and avoid risks is known as investment efficiency, and it can have a big impact on long-term financial performance.

According to a study by Mulpiani (2019), the company's financial performance, as determined by Return on Asset (ROA), is positively and significantly impacted by the disclosure of economic information in sustainability reporting. A company's financial performance increases with the amount of economic information it discloses because this can boost the company's reputation, draw in investors, and eventually boost sales and financial performance. Although Amalia & Triwacananingrum (2022) argue that Sustainability Reporting can provide nonfinancial information that has the potential to help investment decision-making, they argue that its influence on Investment Efficiency is still limited. This is due to several factors, such as the lack of understanding and application of Sustainability information by investors, as well as limited access and availability of Sustainability Reporting in Indonesia.

Based on the background description that has been presented, this study is formulated with the following questions:

1. Does Sustainability Reporting effect the company's Financial Performance?
2. Can Investment Efficiency moderate Sustainability Reporting on Financial Performance?

1.2 Literature Review

1.2.1 Legitimacy Theory

Legitimacy theory emphasizes the importance of public acceptance and recognition of the operations of an organization or company. The success of a company is not only measured by economic achievements alone but also by the extent to which it is able to meet the expectations and social norms of its surrounding environment. This can be likened to an implicit social contract; the company is given the authority to operate and carry out its activities in exchange for a commitment to act responsibly and sustainably. Therefore, companies are required to always be adaptive to changes in community values and expectations, by adjusting business practices, operational policies, and communication strategies to align with applicable norms. Companies that understand and apply legitimacy theory will be able to build stronger relationships with stakeholders, gain broader support, improve their reputation, and minimize potential risks caused by unanticipated changes in the external environment (Ronaldo, 2023; Gama et al., 2024).

1.2.2 Sustainability Reporting

Sustainability Reporting is a report that covers the economic, environmental, and social performance of an organization over a certain period. This report provides an overview of how the organization manages its impacts and contributions to sustainability. Ronaldo (2023) stated that transparency and comprehensiveness of the report are important for building corporate legitimacy. In Indonesia, the Financial Services Authority (OJK) requires companies to create Sustainability Reporting to improve transparency and accountability. The Global Reporting Initiative (GRI) is an important international framework in Sustainability Reporting, emphasizing transparency, accountability, and creating long-term value for stakeholders. Organizations can find and disclose pertinent impacts with the use of the GRI standards, which were introduced in 2016. Communicating how businesses generate value for stakeholders and cultivate enduring relationships is the primary goal of sustainability reporting. The implementation of Sustainability Reporting for Indonesian public corporations, issuers, and financial services organizations is governed by OJK No. 51/POJK.03/2017.

1.2.3 Financial Performance

A company's financial performance, which shows its capacity to earn revenue and manage resources, is a crucial component of evaluating its overall health. Cui et al. (2020) assert that while adequate investment, technical innovation, and Corporate Social Responsibility (CSR) can have a good influence, financial subsidies do not necessarily drive success. Hadi et al. (2021) emphasize that financial statement analysis, including financial ratios, is an important tool for the public and potential investors to understand the health of Financial Performance and the effectiveness of the company in achieving its financial goals. According to Nurhayati et al. (2023), financial performance is a reflection of the company's financial health and is the outcome of management's resource management. Understanding financial performance is crucial because it enables management to pinpoint areas for development, make the most use of available resources, and create plans to increase revenue and give shareholders the best returns. Effective management, strategic choices, and financial reporting openness are crucial in addition to outside influences. To support economic decision-making, Indonesia's Financial Accounting Standards (SAK) place a strong emphasis on the need for financial statements to appropriately depict the entity's financial condition and performance (Indonesia, 2022).

1.2.4 Investment Efficiency

The concept of investment efficiency quantifies how well an investment uses the time, money, and energy that are available to produce benefits. This efficiency is essential for raising profitability and firm worth, allowing for the payment of debts and operational enhancements (Fajriani et al, 2021). Profitability ratio measurements, such as Return On Investment (ROI), are used to evaluate a company's ability to generate profits. Arum et al. (2022) stated that a high ROI indicates efficient use of capital, while a negative ROI reflects insufficient investment income. Sari (2022) emphasized the importance of ROI in assessing investment performance. In addition, Seran et al. (2024) discussed two important concepts: “Do Things Right,” which focuses on efficient processes and accurate data, and “Do the Right Things,” which emphasizes ethical responsibility in investing for a positive impact on society.

1.3 Conceptual Hypothesis

1.3.1 .Sustainability Reporting effect the Company's Financial Performance

Sustainability reporting is the disclosure of information regarding the economic, environmental, and social impacts generated by a company, with the aim of providing a clear picture of the management of risks and opportunities related to Sustainability. According to Felita & Faisal (2023), transparency in this report can improve operational efficiency and the company's potential profitability, through managing Sustainability issues such as waste

reduction and energy efficiency. Reime's (2020) research shows a positive influence between Sustainability Reporting and Financial Performance, where companies that are active in this disclosure gain more trust from stakeholders, which leads to an increase in Return on Assets (ROA). However, Weerarathna et al. (2021) found that Sustainability Reporting does not have a significant impact on Financial Performance, influenced by external factors such as economic conditions and regulations. Therefore, the hypothesis of this study is:
H1: Sustainability Reporting effect the Company's Financial Performance

1.3.2 Investment Efficiency can moderate Sustainability Reporting on Financial Performance

Legitimacy theory emphasizes the importance of societal acceptance and recognition of an organization's or company's operations. A company's success is not solely measured by its economic achievements, but also by the extent to which it fulfills the expectations and social norms of its surrounding environment. This can be likened to an implicit social contract, wherein the company is granted the license to operate in exchange for a commitment to act responsibly and sustainably (Ronaldo, 2023; Gama et al., 2024). Therefore, the disclosure of sustainability reporting is essential for providing accurate information, thereby enhancing stakeholders' trust in the company's financial performance. Research by Safi et al. (2023) shows that the implementation of Corporate Social Responsibility (CSR) has a positive impact on investment efficiency and company financial performance. Hence, by reducing agency problems and improving relationships with stakeholders, CSR encourages better investment decision-making and improves the company's reputation, attracts more loyal consumers, and increases profitability, supporting long-term sustainability and creating added value. Mulpiani (2019) argues that disclosure of sustainability information in the economic dimension can improve the company's image and reputation, both in the commodity market and the capital market, which contributes to consumer loyalty, increased sales, and financial performance. Commitment to sustainability reflects the company's long-term vision that focuses on managing resources responsibly, thereby creating a competitive advantage and increasing shareholder value through investment efficiency and better access to capital markets. Therefore, the hypothesis of this study is:
H2: Investment Efficiency can moderate Sustainability Reporting on Financial Performance.

2. RESEARCH METHODOLOGY

2.1 Operational Definition of Variables

2.1.1 Sustainability Reporting

Sustainability Reporting is an independent variable in this study, reflecting the company's commitment to transparency and economic, environmental, and social responsibility. The measurement is carried out by analyzing the availability and quality of information presented in the annual report or special Sustainability Reporting. To measure the quality of information, this study will refer to the Global Reporting Initiative (GRI) standards as the main reference. The measurement scale used is a nominal scale by determining whether the company publishes Sustainability Reporting or not. The Sustainability Reporting variable will be measured by the total nominal that is generated from the evaluation of this scale. The measurement of Sustainability Reporting that has been carried out by Felita & Faisal (2021) uses the following formula:

$$SR = \frac{Number\ of\ items\ disclosed\ by\ the\ company}{Number\ of\ items\ expected}$$

2.1.2 Financial Performance

Financial Performance, as a dependent variable, is a measure of a company's financial health. To measure it, this study will use financial ratios that are commonly used in financial analysis. The ratio used is Return On Assets (ROA), which shows the company's ability to generate profits from its assets. The financial data used to calculate this ratio will be taken from the company's annual financial report. The unit of measurement for this ratio is percent (%). ROA measurements that have been carried out by Hadi et al. (2021) using the following formula:

$$ROA = \frac{Net\ Income}{Average\ Total\ Assets}$$

2.1.3 Investment Efficiency

Investment Efficiency acts as a moderating variable in this study, indicating the company's ability to manage investment funds to generate profits. This study will use Return on Investment (ROI) as an indicator of Investment Efficiency. The measurement scale uses percent (%) as a unit of measurement. The higher the ROI, the more efficient the company is in managing its investments. ROI measurements have been carried out by Guna et al. (2023) using the following formula:

$$ROI = \frac{Total\ Comprehensive\ Income}{Total\ Assets}$$

By measuring these three variables objectively and consistently, this study is expected to provide a deeper understanding of the relationship between Sustainability Reporting, Financial Performance, and Investment Efficiency.

2.2 Data Collection Methods

This study uses secondary data obtained from various sources relevant to the topic being studied, namely the effect of Sustainability Reporting on the Financial Performance of financial companies listed on the Indonesia Stock Exchange (IDX) website (www.idx.co.id) and each company's website, with Investment Efficiency as a moderating variable. The sampling method used is purposive sampling with the following criteria:

1. The company is a company engaged in the financial sector and is listed on the Indonesia Stock Exchange (IDX).
2. Financial sector companies with annual reports for the period 2019 to 2023 that contain complete information.
3. Companies that do not stop their operational activities in the financial sector.
4. All data used in this study are stated in Rupiah (IDR).

2.3 Data Analysis Method

This study investigates the relationship between Sustainability Reporting, Financial Performance, and the moderating role of Investment Efficiency. To reveal the influence of these variables, multiple linear regression analysis is applied in SPSS version 29. This study uses descriptive analysis and partial, simultaneous, and coefficient of determination tests to test the proposed hypotheses.

3. RESULT AND DISCUSSION

3.1 Results

The data in this study were obtained using a purposive sampling method, based on the following criteria which are:

Table 1. Sampling Criteria

No	Criteria	Amount
1	Data of companies engaged in the financial sector and listed on the Indonesia Stock Exchange (IDX).	525
2	Data of financial sector companies with annual reports for the period 2019 to 2023 do not contain complete information.	(20)
3	Data of companies that have stopped operating in the financial sector.	(15)
4	The data used in this study are not expressed in Rupiah (IDR).	(0)
Total Sample		**490**

Table 2. Descriptive Analysis Test

	N	Minimum	Maximum	Mean	Std. Dev
FP	490	-13.83753	8.30385	-4.07968	3.39855
SR	490	0.002381	0.80952	0.31344	0.16031
IE	490	-8.89290	0.68594	-0.01321	0.41375
XZ	490	-0.52934	0.22865	0.00208	0.03293

The Financial Performance Variable (FP) value was obtained with a range from the lowest -13.83753 to the highest 8.30385. The lowest ROA at -13.83753 at PT. Bank Panin Dubai Syariah Tbk. in 2019 is a large minus figure and this means that there are still several companies in the sample that have losses due to the total assets owned. However, at the highest ROA figure of 8.30385 at PT. Onix Capital Tbk. In 2022, there are companies that are relatively efficient in getting profit from their assets. In other words, the average ROA of -4.07968 obtained in this study proves that most of the sample companies experience more losses in the use of assets so they are not used effectively. Meanwhile, the standard deviation value of 3.39855 shows that Financial Performance between companies is quite widespread. This reflects the inequality in the company's ability to generate profit from the assets it owns. Some companies are efficient in utilizing their assets, indicated by high Financial Performance, while others are inefficient, indicated by low Financial Performance. Companies with low Financial Performance may face problems such as poor management, high debt, or inability to optimize existing assets. Conversely, companies with high Financial Performance may have an efficient business model, good management, or a strong market position. Although the standard deviation values are quite widespread, the data distribution tends to be normal indicating that the majority of companies have performance that is not too far from the average, which means that most companies have a relatively stable level of asset efficiency.

Analysis of the Sustainability Reporting (SR) variable shows a minimum value of 0.02381 at PT. Victoria Investama Tbk. in 2019 and a maximum of 0.80952 at PT. Bank Tabungan Negara (Persero) Tbk. in 2023. The average SR of 0.31344 indicates that most companies have a moderate proportion of Sustainability disclosure, while the standard deviation of 0.16031 indicates that the data is widely distributed in the level of disclosure. This means that although many companies are around the average value, there are a number of companies that have low or higher levels of disclosure than the average. This variation can be caused by factors such as company size, industry sector, or internal policies that influence how much Sustainability information is decided to be announced to the public.

The analysis of the Investment Efficiency (IE) variable shows a wide range, with a minimum value of -8.89290 at PT. Onix Capital Tbk. in 2022 indicating a large loss on investment in several companies, and a maximum value of 0.68594 at PT. Charnic Capital Tbk. in 2021 indicating that despite the profits, no company achieved a very high return on investment. Although the average EI shows less profitable results, with a value of -0.01321 indicating that companies in this sample generally do not get significant returns on their investments, the standard deviation of 0.41375 shows that the data is quite widespread among these companies. This means that some companies experience large losses, while others manage to make positive profits, although not much. The spread of this data is likely influenced by various factors such as the type of industry, investment strategy, and risk management implemented by each company. In contrast, the Interaction variable (XZ) shows a minimum value of -0.529 at PT. Onix Capital Tbk. in 2022 and a maximum of 0.229 at PT. Charnic Capital Tbk. in 2021. This negative minimum value may reflect companies that have low Sustainability disclosure and are inefficient in investment so the interaction of the two has a negative impact on investment returns. Conversely, a positive maximum value indicates that in some companies, good Sustainability disclosure can be associated with higher investment returns, although the effect is not large. Meanwhile, the average Interaction of 0.00208 reflects that in general, the interaction between Sustainability Reporting and Investment Efficiency is very small or almost neutral, which means that there is no strong influence between the two variables in most companies in the sample.

However, the low standard deviation of 0.03293 indicates that most of the interaction values are distributed quite tightly around the average. This could be due to external factors or other controls, such as industry conditions, company size, and government policies, which can effect the relationship between Sustainability Reporting disclosure and Investment Efficiency. This shows that Sustainability Reporting disclosure is not only influenced by internal company factors but also by the wider external environment. The results of this descriptive analysis test need to conduct a classical assumption test to ensure the validity of the results of further analysis.

Tabel 3. Partial Test

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-3.608	.331		-10.893	<,001
	SR	-1.878	.950	-.089	-1.978	.048
	EI	-3.424	.686	-.417	-4.993	<,001
	XZ	34.306	8.687	.332	3.949	<,001

a. Dependent Variable: LNNY

Source: Processed using SPSS 29

The partial test results show that the Sustainability Reporting (SR) variable has a significant effect on the Financial Performance (FP) variable. This can be seen from the t-statistic value of -1.978, with a significant probability value of 0.048, which is smaller than 0.05 (0.048 <0.05). The Investment Efficiency (IE) variable has a significant effect on the FP variable with a t-statistic value of -4.993 and a significance probability value of less than 0.001, which is smaller than 0.05. In addition, the Interaction variable (XZ) has a significant effect on the KK variable with a t-statistic value of 3.949 and a significance probability value of less than 0.001, which is smaller than 0.05.

Tabel 4. Simultaneous Test (F)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	309.046	3	103.015	9.377	<,001[b]
	Residual	5338.983	486	10.986		
	Total	5648.029	489			

a. Dependent Variable: LNNY

b. Predictors: (Constant), XZ, SR, EI

Source: Processed using SPSS 29

The Financial Performance (KK) variable is significantly impacted by the variables Sustainability Reporting (SR), Investment Efficiency (Z), and Interaction (XZ) all at the same time, according to regression research. The significance level of 0.05 is exceeded by the value of less than 0.001 in the F test results. This result shows that, when accounting for the influence of the independent variables and their interactions, the regression model under test can adequately explain fluctuations in the FP variable.

Tabel 5. Coefficient of Determination (R^2)

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.234[a]	.055	.049	3.31445	1.645

a. Predictors: (Constant), XZ, SR, EI
b. Dependent Variable: LNNY
Source: Processed using SPSS 29

The determination coefficient can be seen in the Adjusted R-squared value of 0.049 or 4.9% indicating that the regression model built is only able to explain 4.9% and 95% of the variables are influenced by other factors. This indicates that the contribution of the influence of the Sustainability Reporting (SR), Investment Efficiency (IE), and Interaction (XZ) variables to the Financial Performance (FP) variable is relatively small.

3.2 Discussion

3.2.1 Sustainability Reporting effect the Company's Financial Performance

Research shows that Sustainability Reporting effects the company's Financial Performance. This finding is based on the results of a partial test which shows a significant value of 0.048 which is smaller than 0.05. In other words, the results of the study provide sufficient evidence to conclude that Sustainability Reporting has an influence on the company's Financial Performance.

Based on research data, a significant relationship has been found between Sustainability Reporting and the Financial Performance of the companies studied, there are balanced Sustainability Reporting and Financial Performance scores each year. For example, PT. Bank Central Asia Tbk. recorded a Sustainability Reporting score ranging from 0.48 to 0.57 in the 2019–2023 period. The company's Financial Performance in the same period varied between 2.72% and 3.57%. This is also seen in PT. Wahana Ottomitra Multiartha Tbk. has a Sustainability Reporting score between 0.13 and 0.53, wit Financial Performance ranging from 0.85% to 3.85% in the same period. PT. KDB Tifa Finance Tbk. shows a Sustainability Reporting score of between 0.20 and 0.51, while the company's Financial Performance varies between 1.29% and 3.80%. This condition indicates that Sustainability Reporting appears to have a significant influence on the company's Financial Performance.

The results of the study indicate a significant influence between Sustainability Reporting and the Company's Financial Performance. Although the report has provided a comprehensive picture of the company's economic, social, and environmental performance, the relationship between the two still requires further investigation. According to Ronaldo (2023), the publication of transparent and comprehensive Sustainability Reporting can be an important instrument in building corporate legitimacy. This report must explain the company's commitment to social, environmental, and economic responsibility in its operational environment, which in turn increases stakeholder trust. This increased transparency can strengthen the company's reputation and improve stakeholder relations, which can then improve the company's Financial Performance. However, although Sustainability Reporting has the potential to improve a company's reputation and legitimacy, other factors such as investment strategy, technological innovation, and efficient resource management often play a greater role in increasing a company's profitability and competitiveness in the long term.

This study is in line with the conclusions of Reime (2020), that there is a correlation between Sustainability Reporting and Financial Performance. Stakeholders are more likely to trust businesses that actively publish sustainability reporting. Being open and honest about the effects on society, the environment, and corporate governance shows a dedication to sustainability and social responsibility, which enhances one's standing and connections with stakeholders. By raising Return on Assets (ROA), enhancing relationships and reputation can help the business perform better financially. Increased ROA is a sign of effective asset use, which boosts earnings and, over time, the company's competitiveness and sustainability. However, although Sustainability Reporting can improve a company's reputation and legitimacy, other factors such as investment strategy, technological innovation, and efficient resource management often play a greater role in increasing a company's profitability and competitiveness in the long term.

3.2.2 Investment Efficiency can moderate Sustainability Reporting on Financial Performance

The research data shows that Investment Efficiency can moderate Sustainability Reporting and Financial Performance. The partial test of the interaction variable (XZ) shows a significance value of less than 0.001, which is less than 0.05, indicating a significant effect. The simultaneous test also shows a significance value of less than 0.001, which is less than 0.05, strengthening the finding that the moderating variable has a significant effect.

This study shows a significant relationship between Sustainability Reporting and the Financial Performance of the companies studied, indicated by Investment Efficiency. The Investment Efficiency, Sustainability Reporting, and Financial Performance scores of the companies tend to be at a moderate level each year. For example, PT. Asuransi Tugu Pratama Indonesia Tbk. recorded a Sustainability Reporting score ranging from 0.17 to 0.61 in the 2019–2023 period. The company's Financial Performance in the same period varied between 1.35% to 5.57%, while Investment Efficiency had a value between 1.71% to 5.38%. This is similar to PT. Clipan Finance Indonesia Tbk., which has a Sustainability Reporting score between 0.19 and 0.47. The company's Financial Performance ranged from 0.40% to 9.08% in the same period, while Investment Efficiency had a value between 0.48% to 8.21%. PT. BFI Finance Indonesia Tbk. also shows a Sustainability Reporting score between 0.32 to 0.46, with the company's Financial Performance varying between 3.73% to 9.62%. The company's Investment Efficiency has a value between 3.19% to 8.30% in the same period. This condition indicates that Investment Efficiency can moderate the influence of Sustainability Reporting on the company's Financial Performance.

The study's findings suggest that the association between sustainability reporting and the financial performance of the company is moderated by investment efficiency. This result supports the idea that boosting investment efficiency is essential to raising profitability and business value. Investment Efficiency, which refers to optimizing resource allocation to maximize results with minimal risk, ensures that a company's investment decisions can support long-term Sustainability and provide greater returns (Fajriani et al., 2021; Arum et al., 2022). In this case, Sustainability Reporting, which includes the company's efforts in managing economic, social, and environmental impacts, serves to improve reputation and relationships with stakeholders. However, without efficient investment management, the positive impact of Sustainability Reporting on the company's Financial Performance will not be maximized. This proves that the right investment can turn Sustainability commitments into real financial results and increase the overall value of the company.

This study is in line with the findings of Mulpiani (2019) which shows that transparency in Sustainability Reporting can contribute positively to Investment Efficiency. He emphasized that by disclosing relevant and reliable Sustainability information, companies can increase investor confidence in their Financial Performance, which in turn encourages increased Investment Efficiency. This study shows that Investment Efficiency acts as a moderating variable that strengthens the relationship between Sustainability Reporting and Financial Performance. This study examines the relationship between Sustainability Reporting and a company's Financial Performance, expanding the findings of previous research by Mulpiani (2019). While Mulpiani focused on the role of Sustainability Reporting transparency in increasing investor confidence and Financial Performance, this study shows that Investment Efficiency plays an important role in strengthening the positive impact of Sustainability Reporting on Financial Performance. This shows that transparency in Sustainability Reporting supported by Investment Efficiency can be more effective in improving Financial Performance than relying solely on transparency.

4. CONCLUSION

This study analyzes the impact of Sustainability Reporting on the Financial Performance of companies listed on the Indonesia Stock Exchange (IDX) with Investment Efficiency as a moderation. Financial Performance is measured through Return On Assets (ROA), while Sustainability Reporting is an independent variable. Investment Efficiency acts as a moderating variable measured using Return On Investment (ROI). Data analysis was performed using SPSS software version 29 to test the relationship between variables. Based on the results of the data analysis, it can be concluded that:

5. Sustainability Reporting effects the company's Financial Performance. This study shows that the partial test significance value of 0.048, less than 0.05, indicates a significant direct relationship between the two variables. This is because Sustainability Reporting provides a comprehensive picture of the company's economic, social, and environmental performance, the impact of which is increasing profitability in the short term.
6. Investment Efficiency can moderate Sustainability Reporting on Financial Performance. This study shows that the significant value of the interaction variable (XZ) on the relationship is below 0.05, both partially and simultaneously. This finding is in line with the theory that Investment Efficiency can increase company profitability by maximizing investment returns and minimizing risks, thereby supporting Sustainability and improving overall Financial Performance. Transparency in Sustainability Reporting, which provides information about the company's efforts in managing economic, social, and environmental impacts, can improve the company's reputation and relationships with stakeholders. However, without Investment Efficiency, the positive impact of Sustainability Reporting on Financial Performance will not be achieved optimally. Therefore, companies that are able to manage investments efficiently can turn Sustainability commitments into real financial results, which in turn can increase the company's value.

5. LIMITATION

The study focuses solely on financial companies listed on the Indonesia Stock Exchange from 2019 to 2023.

6. ACKNOWLEDGMENT

This study contributes to the corporate sector by offering insight into the effective management of corporate investments, which can enhance financial performance. Nevertheless, sustainability reporting remains essential in fostering strong relationships between companies and their stakeholders. For academic institutions, this study offers potential contributionsby stimulating the advancement and diversification of student research endeavors, thereby fostering the exploration of a broader range of topics and generating novel insights that may inform and inspire subsequent scholarly investigation.
The coefficient of determination in this study is indicated by an adjusted R-squared value of 4.9%, suggesting that the influence of sustainability reporting on financial performance through investment efficiency is relatively limited, with the remaining 95.1% attributable to other explanatory factors. Accordingly, future studies are recommended to include additional variables that may impact financial performance or to consider alternative moderating factors, such as corporate governance mechanisms.

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