Science Journal of Economics
ISSN: 2276-6286
http://www.sjpub.org
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Published By
Science Journal Publication
International Open Access Publisher

Research Article

Volume 2015,Article ID sje-190, 21 Pages, 2015, doi: 10.7237/sje/190

Effect Of Corporate Governance on Corporate Financial and Market Performance with Sustainability Reporting As Intervening Variable

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Accepted on March 04, 2015

Abstract: AEC (ASEAN Economic Community) is a community of nations in Southeast Asia in ASEAN for the realization of more advanced economies. This research is interesting because of the emergence of the theory of the previous updates from the various theories about the reporting of company financial reporting, management reporting becomes, green reporting and sustainability reporting. Currently sustainability reporting becomes an interesting phenomenon to study. This study aimed to analyze the effect of corporate governance on Sustainability Reporting Disclosure, to analyze the effect of Sustainability Reporting Disclosure on corporate performance, to analyze the effect of corporate governance on corporate performance, to analyze the effect of corporate governance on corporate performance with Sustainability Reporting as an intervening variable. The population in this study were all companies listed on the Stock Exchange 2010-2012. Sampling technique using purposive sampling technique. While the sample is a company manufacturing sectors reported sustainability reporting in 2010-2012. Technique analysis using regression analysis with the classical assumption. Based on the result the conclusion are: There is a positive effect of corporate governance as measured by managerial ownership of the Sustainability Reporting, There is a positive effect of corporate governance as measured by institutional ownership of Sustainability Reporting, There is a positive effect of corporate governance as measured by the independent board of the Sustainability Reporting, There is a positive effect of corporate governance as measured by the audit committee of the Sustainability Reporting, There is a positive effect of Sustainability Reporting on financial performance (ROA), There is a positive influence on the performance of markets Sustainability Reporting firm (MBV), There is a positive effect of corporate governance on financial performance (ROA), There is a positive effect of corporate governance on the performance of the enterprise market (MBV), There is a positive effect of corporate governance on the performance of the enterprise market with the Sustainability Reporting as an intervening variable.

Keywords: sustainability reporting, corporate performance, corporate governance.

Introduction

AEC (ASEAN Economic Community) is a community of nations in Southeast Asia in ASEAN for the realization of more advanced economies. These countries impose a free market, one of them on the field of services. There are seven professions that are exempt Doctors, Dentists, Nurses, Accountants, Architects, Surveyors and Engineers. With the release of the seventh profession there will be competition. For that Indonesia should prepare themselves to excel so it can be hosted in our own country even expand to other ASEAN countries. If the preparation is not done carefully, it is feared the area of work in Indonesia will be dominated by other Asean members.

Investors and multinational companies would be interested in doing business in Indonesia as a result of the implementation of the AEC. These conditions present opportunities for local accountants for the entry of multinational companies that require accounting services. On the other hand also presents a challenge even a threat to the local accountant having to deal with foreign accountants.

This research is interesting because of the emergence of the theory of the previous updates from the various theories about the reporting of company financial reporting, management reporting becomes, green reporting and sustainability reporting. Currently sustainability reporting becomes an interesting phenomenon to study. Jackson et al (2011) stated that it is sustainability reporting and triple bottom line concept is very interesting to study because they both have a very close relationship.

If companies care about the concept of the triple bottom line, the company also has the full attention to sustainability reporting. Wang and Lin (2007) states that the concept of sustainability reporting is an important thing for investors in making investment decisions. Sustainability Reporting (SR) was first initiated by the Global Reporting Inisiatives (GRI) in 1999 which presents the reporting of social, environmental and financial integrated corporate reporting in one package.

In practice, the issue of Sustainability Reporting is not widely applied to the company so that it becomes an interesting phenomenon to study. The uniqueness of this study is to focus on the analysis of Sustainability Reporting in manufacturing companies on the Stock Exchange on the grounds that the importance of Sustainability Reporting firm in ISRA rank, but whether in fact its Sustainability

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Reporting impacted the company's strategy in the future. The company is a manufacturing company with the production of high intensity and with different activity generated will be prone to produce a variety of pollution and waste for the environment than companies in other sectors such as banking or finance, then this research will focus on manufacturing companies as companies in the sector required to be more concerned with the Sustainability Reporting. In a manufacturing company consists of various sectors or areas such as food and beverages, tobacco companies, textile, paper, pharmaceutical, plastic, cement, metal, cable, automotive, consumer goods, all of which are companies with characteristics that are different but have one thing in common which is a process production requires a long process that will be vulnerable in its operation to produce waste for the environment so that the company manufactures more deserving of attention on Sustainability Reporting compared to non-manufacturing companies (Syafrudin and Ratman, 2010).

PT. Astra International Tbk is a company engaged in the industrial manufacture of components / assembly of motor vehicles. PT Astra International Tbk produces is hazardous and toxic waste from production activities and the potential for contaminants to the environment if not properly managed. Based on Government Regulation No. 85 of 1999 on the change of Government Regulation No. 18, 1999 which contains B3 Waste Management, then the motor vehicle assembly industry are B3 waste from specific sources. Source pollution comes from the whole process of fabrication and metal finishing, manufacturing machinery and spare parts, as well as the assembly itself. Or more details coming from the sludge production process, and the former solvent wash liquid, residue production process, the sludge from the WWTP. The main source of pollution that is metal and heavy metal (mainly As, Cd, Br, Cr, Pb, Ag, Hg, Cu, Zn, Se, Sn), nitrate, paint residue, oil and grease, ammonia compounds, flammable solvents, asbestos, the acidic solution. PT Astra generate hazardous waste to the environment of the production process, then to the sustainability reporting is essential to attention for manufacturing companies, such as PT Astra International.

Reporting is one of the important components in any activities of the company, both as a medium of disclosure (disclosure) as well as the evaluation and monitoring of the public company. Corporate reporting can be of financial statements (Annual report) or continuous report (Sustainability Report) which will be the assessment of the credibility of a company. In general, the financial report is a key reference for investors / potential investors in assessing the performance of the company and as consideration for the decision. But in recent decades, especially in Indonesia, sustainability reporting (sustainability reporting) began to receive special attention from the investment community. Investors no longer rely solely on the financial statements consisting of balance sheet, income statement, cash flows, and notes to the financial statements as a tool for making investment decisions.

Today many Indonesian companies voluntarily disclosure Sustainability Report in its reporting. As a form of corporate accountability to stakeholders the company or its shareholders. Sustainability Report is used as a communication tool for management and companies to provide clear and transparent information for stakeholders. Sustainability report is a means of communication and management tools to gain legitimacy from stakeholders. Legitimacy is one reason for the company to publish its sustainability report. Legitimacy is essential for the existence of a company. Therefore, various kinds of methods are used by companies to gain legitimacy. Deegan (2006) explains that the organization seeks to ensure that their activities are recognized (legitimate) by outsiders that is the way the company operates in accordance with the limitations and the prevailing norms. Carruthers (1995) also stated that the company is trying to find and gain legitimacy, not just to obtain it is of the stakeholder.

Sustainability reporting as recommended by the Global Reporting Initiative (GRI) focused on three aspects, namely economic performance (economic), environment (environmental), and social (social). These three aspects known as the Triple Bottom Line. This form of reporting is expected to have a positive relationship to performance is between corporate social responsibility and Corporate Financial Performance (CFP) In line with the increasing global awareness of sustainability issues, the demand for sustainability reporting by investors is also increasing, especially investors who are interested in fund social-minded businesses and environmentally friendly (GRI Reports, 2006).

Sustainability reporting is the practice of measurement, disclosure and accountability efforts of the organization's performance in achieving the goals of sustainable development to the stakeholders both internally and externally. 'Sustainability Report' is a general term that is considered synonymous with other terms to describe the report on the impact of economic, environmental, and social (eg, triple bottom line, corporate responsibility reports, and so forth). A sustainability report should provide a balanced picture and make sense of an organization's sustainability performance, both positive and negative contributions.

As a means to ensure corporate accountability, sustainability reports must ensure that the data available in the report is really valid. To that end, the truth by a third-party verification will be greatly appreciated by all stakeholders. Sustainability report is basically a self-reporting or reporting by the first party, but do not shut out the verification by a second party (for example, testimony from stakeholders), as well as the third party is deemed an independent, competent and credible.

Continuous reports increasing from year to year. Indonesia Sustainability Reporting Awards 2010 (ISRA 2010) organized by the National Center for Sustainability Reporting is the sixth ISRA. Since it was first held in 2005, the number of companies who participated increasing, and

this year 23 companies compete for the title of Best Sustainability Report overalls and a number of other awards. Compared with the seven companies that participated ISRA when it was first held, the number of participants this year has shown a significant increase (see chart an increase in the number of participants from year to year ISRA above, taken from the report of the Jury ISRA 2010).

For the analysis of the application will be reviewed Sustainability Reporting of 3 dimensions of environmental performance, social performance and financial performance. As for the evaluation of the company's strategy related to the implementation of the Sustainability Reporting will be reviewed in terms of focus on the core business, focus on the development of the industry and focus on financial strength. As the uniqueness and differences from previous studies, it will be added to the impact on the value of the company. In addition, samples will also be used manufacturing sector. The reason is because the manufacturing industry represents the most companies listed on the Stock Exchange and disclosure SR more than any other industry that would affect the value of the company.

Research conducted by Jackson et al (2011) stated that the Sustainability Reporting is an important thing that must be considered by every company in order to improve its performance in the future. Research and Serafiem Ioannou (2012) used a sample of 58 countries and shows that regulation or legislation concerning social disclosure in increased business and a priority for the company. It also concluded that the increase in corporate social disclosure, also increased improvements in corporate governance and corporate practices to become more ethical and credible. The study also revealed that the influence of increasing employee training at companies that have implemented the adoption of sustainability reporting rules. Research Farneti and Guthrie (2008) stated that the company meets the standards of the public sector GRI sustainability reporting and disclosing information to their shareholders. The annual report or the annual report to be one of the media in the disclosure of corporate sustainability reporting and corporate activity.
Bartlett (2012) found results that not only the company's sustainability reporting positive effect of increasing the value of the company, but also that the degree of impact is very down during the recession. These findings indicate that the Sustainability Reporting tool can be a lucrative business during a stable economy but not nearly as important in terms of increasing the value of the company during the recession.

Muller (2012) concluded that two of the three proxy information asymmetry has a significant negative effect on the disclosure of Sustainability Reporting. Company size also affects investors' assessment as a moderating factor. There is a significant relationship between sustainability reporting to the investors' assessment.Krechovska and Prochazkova (2013) states that companies in the Czech who has a good level of disclosure sustainability report indicated having good corporate governance, which leads to good management performance anyway. While research Dedu and Chitan (2013) concluded that the Coporate governance negatively affects bank performance. This indicates a need for service will need for improved implementation of the independent members of the bank's better to lower the risk.

Gupta and Sharma (2014) stated that there is a significant effect of corporate governance on corporate performance. The better the implementation of corporate governance, it will further improve the company's performance. Janggu et al (2014) concluded that the board size, professionalism and purpose of the board have a significant influence on sustainability disclosure. The independence of the board of commissioners and the ownership does not significantly influence the sustainability disclosure. The difference in this study with previous studies is the use of a proxy for firm performance, namely financial performance and market performance, and the use of sustainability reporting as an intervening variable, but it is also used samples and different years.

Based on the background is there, then the problem is the result of previous studies are inconsistent regarding the effect of sustainability reporting, corporate governance and corporate performance. So the research question can be formulated as follows:

1. Is there any effect corporate governance on Sustainability Reporting?
2. Is there any effect corporate performance on Sustainability Reporting?
3. Is there any effect of corporate governance on firm performance?
4. Is there any effect of corporate governance on corporate performance with Sustainability Reporting as an intervening variable?

Originality of the Study

This study analyzed the effect of corporate governance on corporate performance and market performance with sustainability reporting as an intervening variable, using quantitative data and select the object of research is a manufacturing company in the Stock Exchange.

This study chose the variable sustainability reporting as a mediating variable because it is a form of evolution of CSR is used as a variable in previous studies, in addition to determine the effect of direct and indirect effect of corporate governance on firm performance. The logic is that if the better implementation of corporate governance, it will further enhance the sustainability reporting disclosures in the financial statements so that it becomes good news for investors and impact on improving the performance of companies, both market performance and financial performance.

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Literature Review and Research Development Model

Stakeholder Theory

Stakeholder approach emerged in the mid 1980s. Background stakeholder approach is the desire to build a framework that is responsive to the issues faced by managers when it is changes in the environment (Freeman and McVea 2001). The purpose of stakeholder management is to devise a method for managing a variety of groups and relationships resulting in a strategic way (Freeman and McVea, 2001).

Stakeholder theory states that the success and survival, a company relies heavily on its ability to balance the various interests of the stakeholders or stakeholder. If able, the company will achieve ongoing support and enjoy a growing market share, sales and profits. In the perspective of stakeholder theory, society and the environment is a core stakeholder that must be considered (Lako, 2010).

The survival of the company depends on the support of stakeholders and support should be sought so that the activity of the company is to seek such support. social disclosure is considered as part of the dialogue between the company and its stakeholders (Gray, et al., 1986). The company is not the only operating entity for its own interests, and to gain the support of the stakeholders of the company must provide benefits to its stakeholders.

Definition of stakeholders according to Freeman and McVea (2001) is any group or individual who can affect or be affected by the achievement of organizational goals. Stakeholders can be divided into two based on their characteristics are the primary stakeholders and secondary stakeholders (Clarkson, 1995). The primary stakeholder is a person or group without which the company could not survive for a going concern, including: shareholders and investors, employees, customers and suppliers, together with stakeholder groups defined as public, namely: government and community. Secondary stakeholder groups are defined as those who influence, or be influenced by the company, but they are not related to the transaction with the company and is not essential continuance.

From the above two types of stakeholders, the primary stakeholders are the most influential stakeholders for the survival of the company because it has a high enough power to the availability of company resources. Further stakeholder theory generally deals with the ways that companies use to manage their stakeholders (Gray, et al., 1986).

Stakeholder theory is a theory that describes to any parties (stakeholders) responsible company Freeman (2001). Companies must maintain relationships with stakeholders to accommodate the wants and needs of its stakeholders, especially stakeholders who have the power to availability of resources used for the operational activities of the company, such as labor, the market for the product companies and others (Chariri and Ghozali, 2007).

One strategy to maintain the relationship with the stakeholders of the company is to implement CSR, the CSR implementation expected willingness of stakeholders can be accommodated so that it will produce a harmonious relationship between the company and its stakeholders. Harmonious relationship will result in a company can achieve its sustainability or sustainability (sustainability).

Legitimacy Theory

The legitimacy of the organization can be seen as something that is given to the company and the community something to be desired or sought the company of the people (Ghozali and Chariri, 2007). The legitimacy of an organization can be said to be a benefit or a potential source for firms to survive (Chariri, 2007).

The company and the surrounding community have close social relations as both are engaged in a "social contract". The social contract states that the company's presence in an area as politically supported and guaranteed by government regulations as well as the parliamentary representation of the community as well. Thus, there is indirect social contract between the company and the communities in which society assigns these costs and benefits for the sustainability of a corporation. Therefore, CSR is a fundamental obligation of the company that are not voluntary (Lako, 2010)

Based on this it can be seen that the activities of the company should have a social value that is consistent with community values. When the values espoused a different company with the values of society, the legitimacy of the company will be in a position of danger.

Additionally, Ghozali and Chariri (2007) also said that the company's activities could pose environmental and social impacts, so that the social and environmental disclosure practices is a managerial tool used by companies to avoid social and environmental conflicts. In addition, social and environmental disclosure practices can be viewed as a form of corporate accountability to the public to explain the social and environmental impacts caused by the influence of the company both in the good and bad effects.

Agency Theory

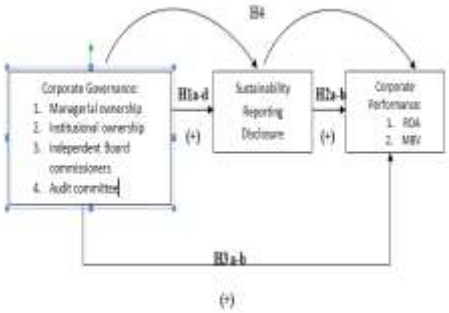
Agency theory describes the relationship between two parties where one party becomes agents and other parties acting as principals. This theory states that an agency relationship arises when one party (the principal) hire another party (the agent) to perform some service on his behalf which involves delegating some decision making authority to the agent (Jensen and Mecking, 1976). The meaning is the principal shareholder or investor in question while the managing agent is a management company.

In addition, agency theory also explains the problem of information asymmetry (asymmetric information). Manager as the manager of the company has more complete information about the company's internal and

prospects of the company in the future than the owners (shareholders). As a manager, the manager is obliged to provide a signal about the state of the company to the owner. However, sometimes the information submitted does not match the actual conditions of the company. This condition is known as information asymmetry. It can provide an opportunity for managers to act opportunistically as earnings management (earnings management) to maximize his personal gain that can harm shareholders.

Corporate governance is a management mechanism that is based on agency theory. The application of the concept of corporate governance is expected to provide confidence in the agent (management) in managing the wealth of the owners (shareholders), and the owners become more confident that the agency will not do a fraud to welfare agencies so as to minimize conflicts of interest and to minimize agency costs.

Empirical Research Model



The hypohesis in this study are:

H1a: There is a positive effect of corporate governance as measured by managerial ownership of the Sustainability Reporting

H1b: There is a positive effect of corporate governance as measured by institutional ownership of Sustainability Reporting

H1c: There is a positive effect of corporate governance as measured by the independent board of the Sustainability Reporting

H1d: There is a positive effect of corporate governance as measured by the audit committee of the Sustainability Reporting

H2a: There is a positive effect of Sustainability Reporting on financial performance (ROA)

H2b: There is a positive influence on the performance of markets Sustainability Reporting firm (MBV)

H3a: There is a positive effect of corporate governance on financial performance (ROA)

H3b: There is a positive effect of corporate governance on the performance of the enterprise market (MBV)

H4: There is a positive effect of corporate governance on the performance of the enterprise market with the Sustainability Reporting as an intervening variable

Research Methodology

Population and Sample

The population in this study was all companies listed on the Stock Exchange 2010-2012. Sampling technique using purposive sampling technique. While the sample is a company manufacturing sectors reported sustainability reporting in 2010-2012.

Data Collection Techniques

Data collection techniques used in this research is the study of the documentation, by getting the data in the form of financial statements and Sustainable (SR) obtained from the web site of each company. To support the research data in this study, researchers used secondary data from the manufacturing company.

Types and Sources of Data

Data used in this study is a secondary data. Secondary data, such as: financial report and sustainability report (SR) obtained from the website of each company. In this study, secondary data sources used were: balance sheet, income / (loss), the details of the load, the calculation of cost of goods sold, the ratio of the market and fundamentals, as well as sustainability reports from 2010 to 2012.

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Data Analysis Technique (Regression Model and Assumptions Classical)

1. Normality Test Data

Normality test aims to test whether the regression model the dependent variable and independent variables, or both have a normal distribution or not (Ghozali, 2005). Statistical tests were used to test the normality of the residuals is normality plot.

2. Test Multicolinearity

Multicollinearity test aims to test whether the regression model found a correlation between the independent variables (independent). A good regression model should not happen correlation between independent variables. If variabek freely correlated, then these variables are not orthogonal. Orthogonal variable is the independent variable that the correlation between the members of the independent variable is equal to zero. To detect the presence or absence multikolonieritas in the regression model is as follows: Multikolonieritas can be seen from (1) the value of tolerance and the opponent (2) the variance inflation factor (VIF). Both of these measures indicate which of each independent variable can be explained by the other independent variables. Tolerance measures the variability of the chosen variables that can not be explained by other independent variables. So a low tolerance value equal to the value of high VIF (VIF As = 1 / tolerance) and showed a high kolonieritas. Good regression model is to have the tolerance value close to 1 and not less than 0.1. Then for VIF are not no greater than 10.

3. Test Heteroskidastity

Heteroscedasticity test aims to manguji whether inequalities occur in the regression model residual variance from one observation to another observation. If the variance of the residuals of the observations to observations of others remains, it is called and if different homoskedastisitas called heteroscedasticity. Good regression model is homoskedastisitas or not happen heteroscedasticity. Most of the data contain a cross-section heteroskedasticity situation because this data collect data representing a variety of sizes (small, medium, and large). (Ghozali, 2005). How to detect the presence or absence of heteroskedasticity is to use scatterplot (Gujarati, 2003).

4. Autocorrelation Test

To determine the presence of autocorrelation in a regression model conducted by the Durbin Watson test (DW) with the following conditions:

1. If the Ho hypothesis is no autocorrelation is positive then:

d <dl: reject Ho
d> du: accept Ho
d ≤ d ≤ du: the test is inconclusive.

2. If the Ho hypothesis is no autocorrelation negative then:
d> 4 - dL: reject Ho
d <4 - du: accept Ho
4 - du ≤ d ≤ 4 - dl: the test is inconclusive

If there is autocorrelation, then corrective action can be done in several ways, such as the scheme of first-degree auto regression marcov, data transformation and so on. It all depends on the nature of the dependence between the disturbances ui. (Gujarati, 2003)

5. Regression Analysis

Regression analysis is an analysis to determine the effect of variable X to Y. To simplify the calculation researcher using SPSS (Statistical Package for Social Science). This study used the regression equation with the following models:

$Y1 = a + + \beta1.X1 + \beta2.X2 + \beta3.X3 + \beta4.X4 + e$ .....(H1a-d)
Whereas:
Y1 = Sustainability Reporting Disclosure
X1 = managerial ownership
X2 = Institutional ownership
X3 = independent commissioners
X4 = audit committee
a = constant
β1-4 = regression coefficient
e = error term

$Y2 = a + + \beta5.X5 + e$ .....(H2a)
Whereas:
Y2 = ROA
X5 = Sustainability Reporting Disclosure
a = constant
β5 = regression coefficient
e = error term

$Y3 = a + + \beta5.X5 + e$ .....(H2b)
Whereas:
Y3= MBV
X5 = Sustainability Reporting Disclosure
a = constant
β5 = regression coefficient
e = error term

$Y2 = a + + \beta6.X6 + e$ .....(H3a)
Whereas:
Y2 = ROA
X6 = Corporate Governance
a = constant
β6 = regression coefficient
e = error term

$Y3 = a + + \beta6.X6 + e$ .....(H3b)
Whereas:
Y3= MBV
X6 = Corporate Governance
a = constant
β6 = regression coefficient

e = error term

While the steps for testing hypotheses of the study are as follows:

a. Determine Ho and Ha formulations.

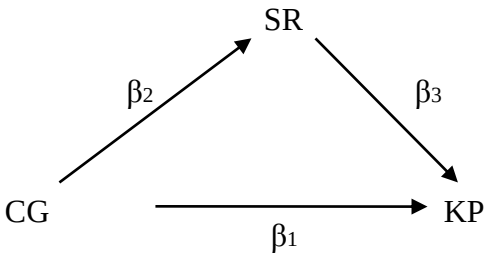
Ho: β = 0, meaning there is no significant difference between the variable X to Y.
Ha: β> 0, meaning that there is significant difference between the variable X to Y.
Determine the level of significance (α = 0.05)

b. Determine the test criteria:

Ho is accepted if the Sig. ≥ 0.05
Ho is rejected if the Sig. <0.05

c. Conclusions:

When Sig. ≥ 0.05 then Ho is accepted which means there is no significant difference between the variable X to variable Y.
When Sig. <0.05 then Ho is rejected which means that there is a significant difference between the variable X to variable Y.



To test H4 using Pa

The Analysis.

$$SR = a + \beta_1 CG + e \quad \text{.....(1)}$$

$$KP = a + \beta_2 CG + \beta_3 SR + e \quad \text{.....(2)}$$

Whereas:

a = constant
b = regression coefficient
SR = Sustainability Reporting
CG = Corporate Governance
KP = Corporate performance
e = Error

A variable functions as an intervening variable (mediating) if: (1) the independent variable significantly associated with mediating variables, (2) the mediating variable significantly associated with the dependent variable, and (3) The relationship between the dependent and independent variables decreased after the controlled variable mediating. The role of mediating variables can be grouped into two general categories: (1) partial mediation; (2) Full Mediation. Mediation terhadi if after deduction of partial mediating variable regression coefficient relationship between the independent variables decreased but still significant. Full mediation occurs if after the mediating variable regression coefficients calculated the relationship between the independent variable decreases and becomes insignificant.

To determine the effect of indirect corporate governance on corporate performance through sustainability reporting has two formulas:

Determination of the magnitude of the effect:

a. Indirect Effect

The magnitude of the effect is not directly measured from β2.β3

b. The Direct Effect

The magnitude of the direct effect can be seen from the β1

The hypothesis can be accepted if the value is smaller than the coefficient β1 β2 coefficient multiplied by the coefficient β3 and every relationship must be significant (Ghozali, 2012).

Result

Classical Assumption Test

1. Normality Test

From the result the normal P-P Plot show that the data is near the diagonal normal line for the all regression model, so the data is normally distributed (see Appendix).

2. Multicollinearity Test

Multicollinearity test aims to test whether the regression model found correlations between variables (independent). If the independent variables are correlated, then these variables are not orthogonal. Orthogonal variable is the independent variable correlation among the independent variables equal to zero (Ghozali, 2011).

Multicollinearity in the regression can be seen from the value of Tolerance and Variance Inflation Factor (VIF).

A regression model is free of multicollinearity problem if it Tolerance has a value >0.1 and VIF under 10. This show is not the case in the model multicollinearity (see the appendix).

3. Heteroscedasticity Test

SPSS output display results provide parameter that the scatterplot is data distributed randomly so it can be concluded that there is no heterocedastity at the regression model (see the appendix).

4. Autocorrelation test

Based on the results of the regression analysis on the data value of Durbin Watson (DW) all of the regression model is between dU (1.5) and 4-dU (2.5) so these results indicate that the regression model is there is no autocorrelation (see the appendix).

Hypothesis Testing Results

Hypothesis statistical test basically shows whether the independent variables included in the model has a partial effect on the dependent variable. Based on SPSS output partial effects of the independent variables on dependent variables (see the appendix).

H1a: There is a positive effect of corporate governance as measured by managerial ownership of the Sustainability Reporting From the result shows that the significant value is lower than 0.05 and the coefficient regression is positive so hypothesis accepted. This mean there is a positive effect of corporate governance as measured by managerial ownership of the Sustainability Reporting.

H1b: There is a positive effect of corporate governance as measured by institutional ownership of Sustainability Reporting From the result shows that the significant value is lower than 0.05 and the coefficient regression is positive so hypothesis accepted. This mean there is a positive effect of corporate governance as measured by institutional ownership of Sustainability Reporting.

H1c: There is a positive effect of corporate governance as measured by the independent board of the Sustainability Reporting From the result shows that the significant value is lower than 0.05 and the coefficient regression is positive so hypothesis accepted. This mean there is a positive effect of corporate governance as measured by the independent board of the Sustainability Reporting.

H1d: There is a positive effect of corporate governance as measured by the audit committee of the Sustainability Reporting

H2a: There is a positive effect of Sustainability Reporting on financial performance (ROA)
From the result shows that the significant value is lower than 0.05 and the coefficient regression is positive so hypothesis accepted. This mean there is a positive effect of Sustainability Reporting on financial performance (ROA).

H2b: There is a positive influence on the performance of markets Sustainability Reporting firm (MBV)
From the result shows that the significant value is lower than 0.05 and the coefficient regression is positive so hypothesis accepted. This mean there is a positive influence on the performance of markets Sustainability Reporting firm (MBV).

H3a: There is a positive effect of corporate governance on financial performance (ROA) From the result shows that the significant value is lower than 0.05 and the coefficient regression is positive so hypothesis accepted. This mean there is a positive effect of corporate governance on financial performance (ROA)

H3b: There is a positive effect of corporate governance on the performance of the enterprise market (MBV) From the result shows that the significant value is lower than 0.05 and the coefficient regression is positive so hypothesis accepted. This mean there is a positive effect of corporate governance on the performance of the enterprise market (MBV).

H4: There is a positive effect of corporate governance on the performance of the enterprise market with the Sustainability Reporting as an intervening variable From the result shows that the significant value is lower than 0.05 and the coefficient regression is positive so hypothesis accepted. This mean there is a positive effect of corporate governance on the performance of the enterprise market with the Sustainability Reporting as an intervening variable.

Conclusion

There is a positive effect of corporate governance as measured by managerial ownership of the Sustainability Reporting There is a positive effect of corporate governance as measured by institutional ownership of Sustainability Reporting There is a positive effect of corporate governance as measured by the independent board of the Sustainability Reporting There is a positive effect of corporate governance as measured by the audit committee of the Sustainability Reporting There is a positive effect of Sustainability Reporting on financial performance (ROA) There is a positive influence on the performance of markets Sustainability Reporting firm (MBV) There is a positive effect of corporate governance on financial performance (ROA) There is a positive effect of corporate governance on the performance of the enterprise market (MBV) There is a positive effect of corporate governance on the performance of the enterprise market with the Sustainability Reporting as an intervening variable

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Appendix:

Regression 1

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	KA, KI, DKI, KM[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: SR

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,471[a]	,222	,185	,06658	2,284

a. Predictors: (Constant), KA, KI, DKI, KM

b. Dependent Variable: SR

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,016	4	,004	3,878	,035[a]
	Residual	,239	54	,004		
	Total	,255	58			

a. Predictors: (Constant), KA, KI, DKI, KM

b. Dependent Variable: SR

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,266	,086		3,083	,003		
	KM	,020	,001	,043	3,304	,021	,861	1,161
	KI	,017	,006	,052	2,904	,045	,899	1,113
	DKI	,161	,049	,233	3,279	,023	,954	1,048
	KA	,005	,002	,023	2,714	,047	,984	1,016

a. Dependent Variable: SR

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	KM	KI	DKI	KA
1	1	4,311	1,000	,00	,02	,01	,00	,00
	2	,548	2,805	,00	,86	,00	,00	,00
	3	,099	6,614	,00	,05	,79	,14	,00
	4	,037	10,761	,04	,07	,18	,83	,09
	5	,006	27,041	,96	,00	,02	,03	,91

a. Dependent Variable: SR

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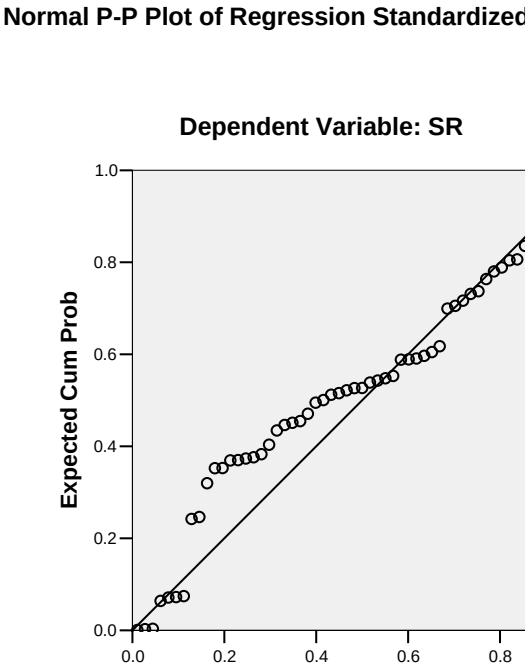
Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	,3055	,3835	,3419	,01638	59
Std. Predicted Value	-2,224	2,537	,000	1,000	59
Standard Error of Predicted Value	,010	,031	,018	,007	59
Adjusted Predicted Value	,3024	,3870	,3419	,01702	59
Residual	-,21027	,09666	,00000	,06424	59
Std. Residual	-3,158	1,452	,000	,965	59
Stud. Residual	-3,202	1,520	,001	1,013	59
Deleted Residual	-,22700	,10602	,00007	,07094	59
Stud. Deleted Residual	-3,525	1,540	-,014	1,060	59
Mahal. Distance	,412	11,433	3,932	3,383	59
Cook's Distance	,000	,476	,022	,068	59
Centered Leverage Value	,007	,197	,068	,058	59

a. Dependent Variable: SR

Charts



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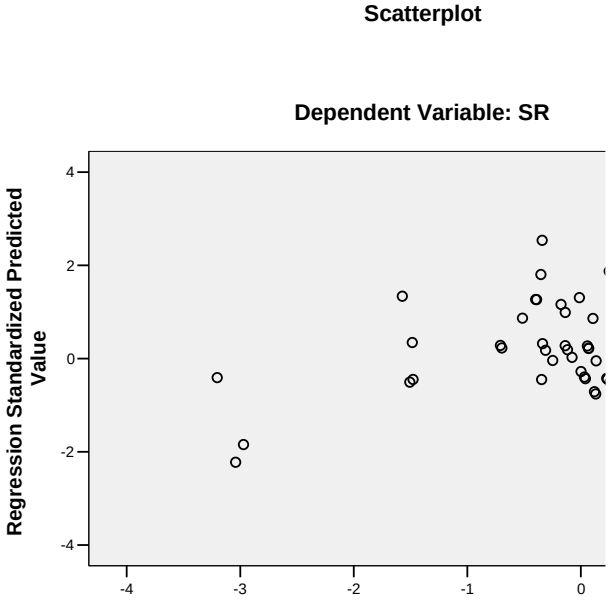


Regression 2

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	SR[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: ROA

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,399[a]	,159	,124	,36776	2,875

a. Predictors: (Constant), SR

b. Dependent Variable: ROA

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,012	1	,012	3,091	,041[a]
	Residual	7,709	57	,135		
	Total	7,721	58			

a. Predictors: (Constant), SR

b. Dependent Variable: ROA

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,303	,254		1,195	,237		
	SR	,220	,102	,040	2,148	,041	1,000	1,000

a. Dependent Variable: ROA

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions	
				(Constant)	SR
1	1	1,982	1,000	,01	,01
	2	,018	10,499	,99	,99

a. Dependent Variable: ROA

Residuals Statistics[a]

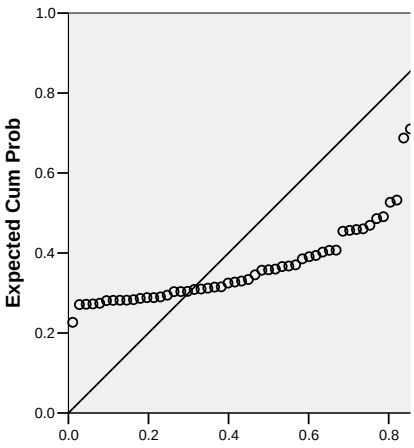
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	,2099	,2758	,2281	,01456	59
Std. Predicted Value	-1,253	3,272	,000	1,000	59
Standard Error of Predicted Value	,048	,165	,062	,027	59
Adjusted Predicted Value	,1908	,3454	,2296	,02401	59
Residual	-,27574	1,38504	,00000	,36458	59
Std. Residual	-,750	3,766	,000	,991	59
Stud. Residual	-,839	3,807	-,002	1,005	59
Deleted Residual	-,34536	1,41509	-,00145	,37490	59
Stud. Deleted Residual	-,837	4,369	,022	1,076	59
Mahal. Distance	,005	10,709	,983	2,360	59
Cook's Distance	,000	,157	,014	,032	59
Centered Leverage Value	,000	,185	,017	,041	59

a. Dependent Variable: ROA

Charts

Normal P-P Plot of Regression Standardized

Dependent Variable: ROA



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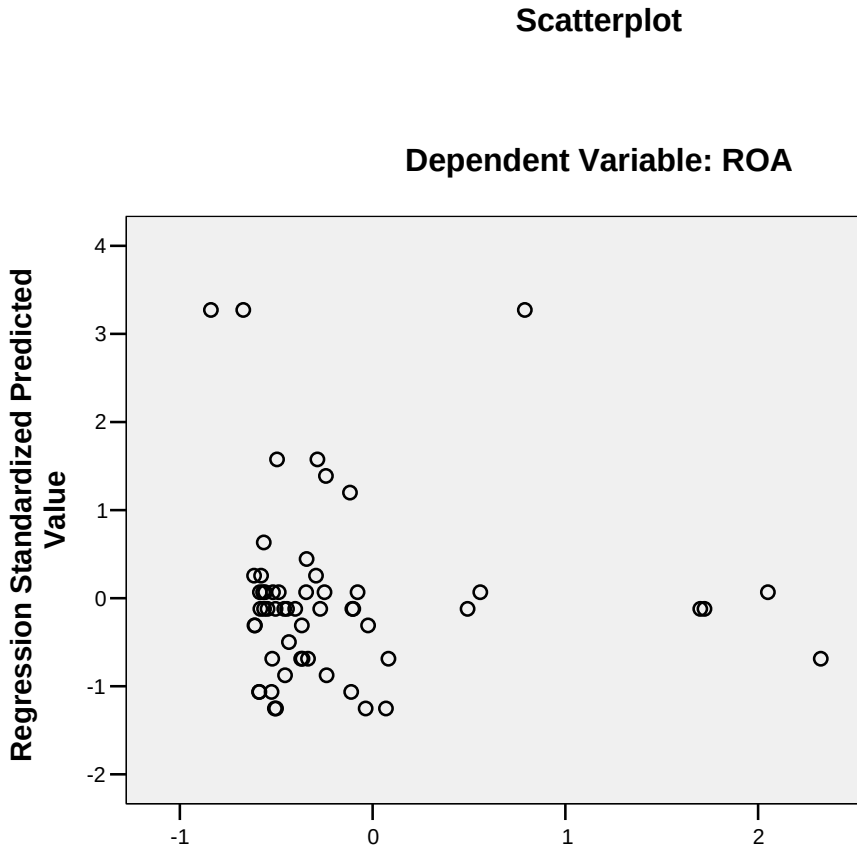

Regression 3

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	SR[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: MBV

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,691[a]	,477	,363	,36472	1,644

a. Predictors: (Constant), SR

b. Dependent Variable: MBV

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ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,261	1	,261	3,959	,026[a]
	Residual	7,582	57	,133		
	Total	7,843	58			

a. Predictors: (Constant), SR

b. Dependent Variable: MBV

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,264	,252		1,051	,298		
	SR	1,011	,297	,182	3,400	,026	1,000	1,000

a. Dependent Variable: MBV

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions	
				(Constant)	SR
1	1	1,982	1,000	,01	,01
	2	,018	10,499	,99	,99

a. Dependent Variable: MBV

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	,3906	,6939	,6099	,06702	59
Std. Predicted Value	-3,272	1,253	,000	1,000	59
Standard Error of Predicted Value	,048	,164	,062	,026	59
Adjusted Predicted Value	,2758	,7139	,6092	,07336	59
Residual	-,59321	,96255	,00000	,36156	59
Std. Residual	-1,626	2,639	,000	,991	59
Stud. Residual	-1,641	2,668	,001	1,009	59
Deleted Residual	-,60359	,98343	,00075	,37511	59
Stud. Deleted Residual	-1,666	2,826	,004	1,025	59
Mahal. Distance	,005	10,709	,983	2,360	59
Cook's Distance	,000	,246	,019	,039	59
Centered Leverage Value	,000	,185	,017	,041	59

a. Dependent Variable: MBV

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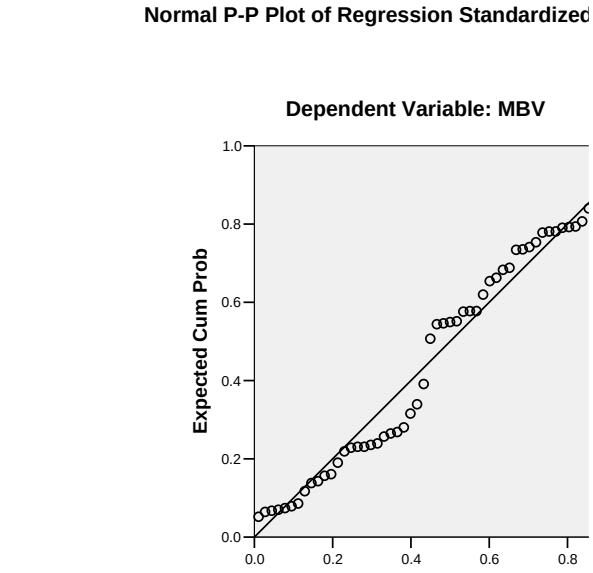
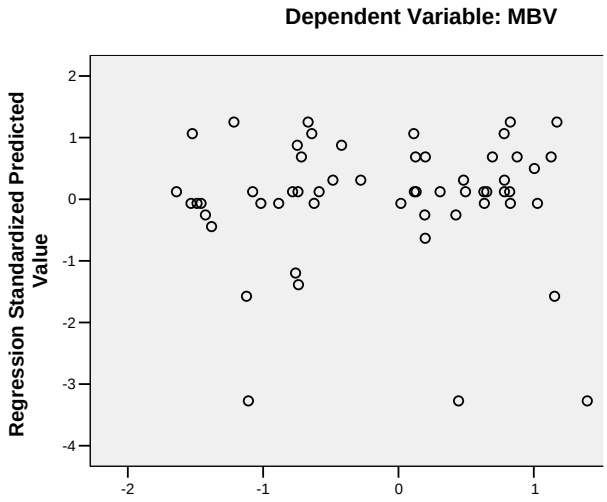
Charts





Regression 4

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	KA[a], KI, DKI, KM	.	Enter

a. All requested variables entered.

b. Dependent Variable: ROA

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Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,569[a]	,324	,293	,36705	1,989

a. Predictors: (Constant), KA, KI, DKI, KM

b. Dependent Variable: ROA

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,446	4	,112	3,828	,013[a]
	Residual	7,275	54	,135		
	Total	7,721	58			

a. Predictors: (Constant), KA, KI, DKI, KM

b. Dependent Variable: ROA

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,207	,476		,434	,666		
	KM	,005	,002	,074	2,181	,048	,861	1,161
	KI	,002	,001	,082	3,586	,014	,899	1,113
	DKI	,752	,217	,198	3,463	,015	,954	1,048
	KA	,083	,032	,074	2,558	,023	,984	1,016

a. Dependent Variable: ROA

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	KM	KI	DKI	KA
1	1	4,311	1,000	,00	,02	,01	,00	,00
	2	,548	2,805	,00	,86	,00	,00	,00
	3	,099	6,614	,00	,05	,79	,14	,00
	4	,037	10,761	,04	,07	,18	,83	,09
	5	,006	27,041	,96	,00	,02	,03	,91

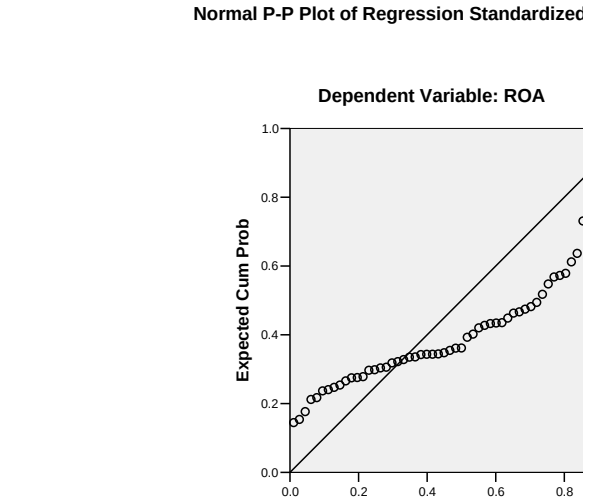
a. Dependent Variable: ROA

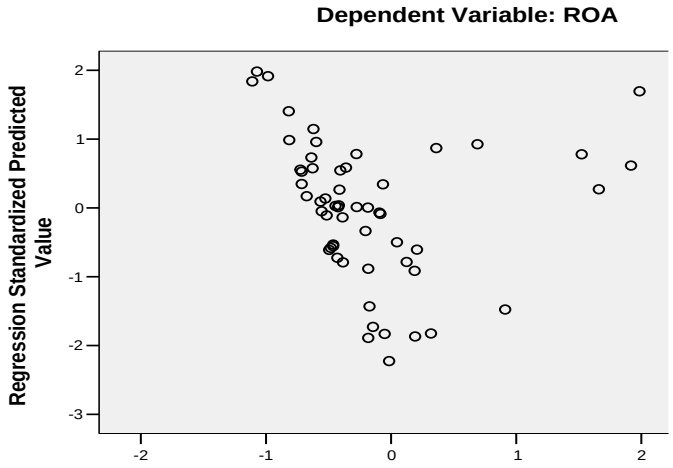
Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	,0329	,4019	,2281	,08770	59
Std. Predicted Value	-2,226	1,981	,000	1,000	59
Standard Error of Predicted Value	,057	,170	,101	,036	59
Adjusted Predicted Value	,0339	,4415	,2306	,09198	59
Residual	-,38882	1,26401	,00000	,35417	59
Std. Residual	-1,059	3,444	,000	,965	59
Stud. Residual	-1,109	3,531	-,003	,991	59
Deleted Residual	-,42649	1,32886	-,00247	,37378	59
Stud. Deleted Residual	-1,112	3,989	,018	1,054	59
Mahal. Distance	,412	11,433	3,932	3,383	59
Cook's Distance	,000	,128	,011	,023	59
Centered Leverage Value	,007	,197	,068	,058	59

a. Dependent Variable: ROA

Charts





Regression 6

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Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	KA[a], KI, DKI, KM	.	Enter

a. All requested variables entered.

b. Dependent Variable: MBV

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,517[a]	,268	,208	,37227	1,981

a. Predictors: (Constant), KA, KI, DKI, KM

b. Dependent Variable: MBV

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,359	4	,090	3,648	,031[a]
	Residual	7,484	54	,139		
	Total	7,843	58			

a. Predictors: (Constant), KA, KI, DKI, KM

b. Dependent Variable: MBV

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1,222	,483		2,533	,014		
	KM	,006	,002	,091	3,634	,029	,861	1,161
	KI	,019	,005	,099	4,078	,021	,899	1,113
	DKI	,333	,091	,087	3,640	,025	,954	1,048
	KA	,127	,033	,113	3,842	,036	,984	1,016

a. Dependent Variable: MBV

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	KM	KI	DKI	KA
1	1	4,311	1,000	,00	,02	,01	,00	,00
	2	,548	2,805	,00	,86	,00	,00	,00
	3	,099	6,614	,00	,05	,79	,14	,00
	4	,037	10,761	,04	,07	,18	,83	,09
	5	,006	27,041	,96	,00	,02	,03	,91

a. Dependent Variable: MBV

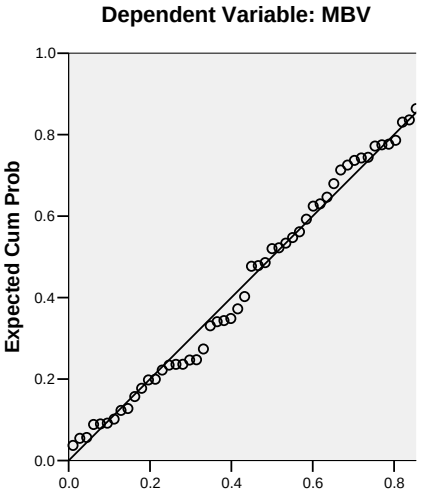
Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	,4241	,7893	,6099	,07867	59
Std. Predicted Value	-2,363	2,280	,000	1,000	59
Standard Error of Predicted Value	,058	,172	,102	,036	59
Adjusted Predicted Value	,3552	,8547	,6116	,08988	59
Residual	-,66474	,95025	,00000	,35921	59
Std. Residual	-1,786	2,553	,000	,965	59
Stud. Residual	-1,869	2,617	-,002	1,002	59
Deleted Residual	-,72800	,99901	-,00163	,38758	59
Stud. Deleted Residual	-1,914	2,775	,000	1,017	59
Mahal. Distance	,412	11,433	3,932	3,383	59
Cook's Distance	,000	,075	,016	,020	59
Centered Leverage Value	,007	,197	,068	,058	59

a. Dependent Variable: MBV

Charts

Normal P-P Plot of Regression Standardized



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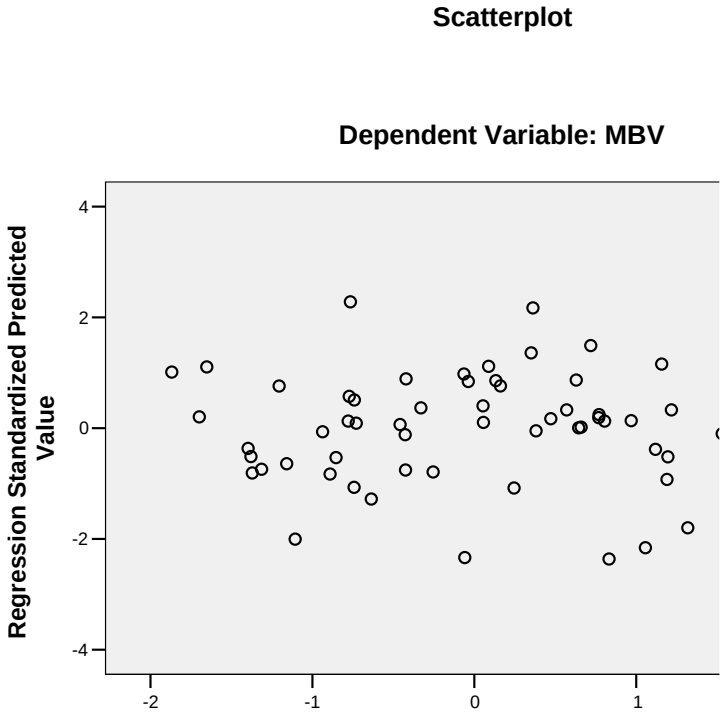

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