E-ISSN 2988-2664
Tangerang, October 11th, 2023

The Effect of Good Corporate Governance, Sustainable Growth Rate on Disclosure of Sustainability Reporting and Moderated by Covid-19

Herlina Lusmeida, Paskalis Krisna Putra Novaldi Adilla

Universitas Pelita Harapan, Tangerang, Indonesia

ABSTRACT

This study aims to determine the effect of Good Corporate Governance (“GCG”) and Sustainable Growth Rate (“SGR”) on Sustainability Reports (“SR”). GCG variables are measured using 15 indices that describe the overall GCG structure. Meanwhile, SGR is calculated using an analysis of the calculation of Return on Equity (ROE) minus the Dividend Payout Ratio. The research samples taken were companies engaged in manufacturing, mining, and industry which were listed on the Indonesia Stock Exchange (IDX). The data collected consists of secondary data taken from the period before COVID-19 (2018-2019) and the period during COVID-19 (2020-2021). The results that have been done show a significant effect between GCG and SR, SGR and SR, and the effect of COVID-19 on GCG on SR. while the effect of COVID-19 on SGR on SR did not have a significant effect. This study takes the renewal of the influence of GCG, SGR, on SR by measuring the influence of COVID-19 by taking companies that have an influence on the country's development. Good GCG and SGR can help disclose good SR with factors that have been taken into account against the tested line of business and coupled with the influence of COVID-19 making the Company show its commitment in providing good performance on factors that affect their daily operational work environment.

Keywords: Sustainability Report; Good Corporate Governance; Sustainable Growth Rate; COVID-19

INTRODUCTION

The increasingly developing era broadens the company's outlook beyond focusing on achieving maximum profits. The Triple Bottom Line or 3P concept (Sidharta Utama, 2022) introduces companies to their responsibility towards social (people), environmental (planet), and economic (profit). The company not only focuses on achieving business profits but also fulfills the welfare of the surrounding community and contributes to preserving and protecting the environment. Real contributions can be reported through SR as a reference and transparent evidence that the company has also been responsible through non-financial activities.

Companies periodically publish financial reports to report financial performance during a certain period. Although companies publish financial reports to show their financial performance, currently companies also publish sustainability reports as one of the non-financial disclosures that show the company's performance and quality in the 3P aspect.

The Global Reporting Initiative (GRI, 2022) as a standard that regulates corporate sustainability disclosure states that a sustainability report is a report that is the application of measurement, disclosure, and accountability to stakeholders, which includes internal and external company activities that will influence the company's performance in achieving sustainable development.

Law no. 40 of 2007 Article 74 paragraph 1 concerning Limited Liability Companies plays a supporting role in showing that sustainability reporting carried out voluntarily by companies describes the actions of the company or organization towards the surrounding community.

It cannot be said that disclosure of sustainability reports has reached 50 percent in this country. As reported by electronic information media, the results of training conducted by BEI since 2018 and recorded as of April 23 2019 by GRI and BEI, for 629 companies only reached 110 of the recorded number (Kencana, 2019). This fact shows that disclosure of sustainability reports is still inadequate for companies established in Indonesia, coupled with the absence of regulations or financial accounting standards that require SR disclosure. As far as researchers know, sustainability reports have become mandatory for companies listed on the Indonesia Stock Exchange to disclose since 2017 (OJK, 2017). However, there are no adequate sanctions so the company has not been able to fully implement this disclosure.

GCG helps companies to run and control the quality of the company required for SR disclosure. GCG by (Timothy Fogarty, 2019) is a tool to increase competitiveness and create added value for the company. In addition, the role of GCG is to reduce agency costs and create long-term shareholder value by focusing on the responsibility of monitoring board decisions, executive management decisions, shareholder monitoring processes, and accountability attributes. So, it can be said that the implementation of GCG is very necessary to be implemented in every company. Seeing the importance of this, facts on the ground show that the quality of GCG implementation is still not implemented enough in companies in Indonesia so sometimes it makes it difficult for companies to face new regulations or challenges because they require structural updates and checks based on Indonesian laws and regulations (Coordinating Ministry of Economic Affairs Republic of Indonesia, 2021).

Amidst the diversity that exists within the company, SGR also has an important role as a reference for stakeholders in assessing the quality of the company. Sustainable Growth Rate (SGR) itself is the maximum level of sales growth that can be achieved consistently with existing financial policies (Higgins, 1977). SGR measures how a company can balance operational and financial aspects, so it appears that the company has calculated a more realistic growth rate (Violin et al., 2022). The SGR concept is also in line with the 3P concept which is the basis for sustainability reporting so that SGR can show the company's overall responsibility for financial and non-financial activities. The role of SGR can be implemented through how the company can make decisions in operational and financial activities so that the company can maintain its existence. Looking at these principles and urgency, researchers see the relevance of SGR as a future-oriented concept for balancing operational and financial activities (Arora et al., 2018).

The spread of the COVID-19 pandemic, which began in 2020 and has now become endemic in Indonesia, has greatly influenced the activities and policies of each country, forcing all regulations owned by each company to be readjusted in order to maintain company quality and company existence. The impact of this pandemic also affects the quality of company disclosures, because many regulations have to be adjusted. COVID-19 has significantly affected company activities, resulting in an impact on the company's financial performance and planned non-financial activities that can improve the company's overall performance. Due to

uncertain situations, GCG practices have an important role to play in ensuring that companies have the ability to adapt.

This topic has been studied by other researchers with various variables representing factors in SR, GCG, and SGR. Research conducted by (Theresa et al., 2022) shows that SGR has a different influence on each element in SR, namely a positive influence through the environmental and economic dimensions, and vice versa through the economic dimension. Previous research by (Multy & Khafid, 2020) showed negative results from one of the proxies for CG, namely the audit committee on SR. Research by Aliniar & Wahyuni (2017) also uses one of the GCG proxies, namely institutional share ownership with a positive influence on SR.

The diversity of research results that had been carried out by previous researchers encouraged researchers to re-examine the relationship between the GCG, SGR, and SR variables simultaneously. The novelty of this research can be seen from the management of variables in this research where the researcher sees the need for a comprehensive assessment of the variables taken. GCG by taking 15 important factors that form it makes the results of the influence of GCG on SR more accurate and can be used as an aspect of the company's review in forming a GCG framework that can support SR. The SGR variable also used in this research aims to show the role of SGR in building good SR disclosure with the aim of being a new reference for research that has been carried out previously the uniqueness contained in this research is shown by looking at the comparison of growth and development of GCG and SGR in the period before COVID-19 and during COVID-19 the business sector was seen to be affected by this period and of course had an influence on the development of the country. Researchers see this as important to research and review because considering the current era which is increasingly competitive and developing, professional demands are increasingly developing and varying. So from this phenomenon, researchers want to obtain empirical evidence on the influence of GCG and SGR on SR, as well as how COVID-19 can moderate the relationship of each variable to SR.

LITERATURE REVIEW

Legitimacy Theory

Rezaee (2019) stated that in legitimacy theory, companies have social or contractual responsibilities to society and all stakeholders to maintain their legitimacy. According to Miles (2012), this theory explains that companies experience various pressures in addition to social pressure, political pressure also affects companies in maintaining their legitimacy so that companies can be consistent and survive and compete competitively with other competitors.

Disclosure by the company, especially in non-financial activities, can be one of the proofs and effectiveness of the implementation carried out by the company through the company's operational activities. Good and clear disclosure can increase the company's legitimacy or reputation in the public eye. Therefore, companies need to voluntarily disclose their sustainability performance completely and thoroughly.

Agency Theory

Agency Theory or Agency Theory is a theory that regulates how the relationship between the company's internal roles, especially management, and shareholders, both of which have different interests. This theory illustrates that in a company, shareholders who are the main owners employ management (agents) to process and run the company (Jensen & Meckling, 1976).

In this case, GCG is needed to align the interests of management and shareholders. GCG must be formed carefully and emphasize oversight of management. Management who is directly involved with company activities can store this information and not disclose it to shareholders. This will lead to information asymmetry which can result in management actions to benefit itself. Good corporate governance must be able to oversee management and ensure that management focuses on the interests of shareholders.

Stakeholder Theory

Donaldson & Preston (1995) stated that the obligations of corporate entities are not only to shareholders but also to all stakeholders. According to Rezaee (2019), each stakeholder has a reciprocal relationship with the company, meaning that shareholders contribute to increasing company value and company performance affects shareholder welfare.

Stakeholders have the right to disclose company information regarding activities within the company to be able to contribute to decision-making and also to find out whether the steps taken by the company can benefit them or not. Thus, companies need to provide full disclosure of various information from company activities including disclosure of sustainability reports.

Hypothesis Development

The Influence of Good Corporate Governance on the Disclosure Quality of Sustainability Reports

GCG is a structural arrangement contained in a company that aims to direct, regulate, and control the organization (Utama et al., 2022). Meanwhile, SR according to GRI (2022) is a sustainability report that contains non-financial aspects of company activities for stakeholders and parties related to the company. GCG is expected to support good sustainability report disclosure and can help improve sustainable company performance (Correa-Garcia et al., 2020).

GCG companies can have better management which is reflected in operational activities and results, including in managing social and environmental issues. Therefore, the existence of GCG can help improve and strengthen SR disclosure because the companies themselves can manage the activities and results of their operations properly.

Previous studies have provided similar results with the function and use of governance in strengthening corporate structure reports, especially in public disclosures consumed by external parties. Companies with GCG have better management which is reflected in their operational activities and outputs, including in managing social and environmental issues. On an ongoing basis, reporting the implementation of GCG will improve the quality of the reported SR. This is borne by companies that will show more responsibility and create a sense of trust in stakeholders or parties who have the right to assess and see the company's performance. Research by Triwacananingrum et al., (2021); Trisnawati et al., (2022) ;and Aliniar & Wahyuni (2017) showed that CG has a positive effect on the disclosure of SR.

H1 : Good Corporate Governance has a positive effect on the Sustainability Report

The Effect of the Sustainable Growth Rate on the Disclosure Quality of Sustainability Reports

Company growth is always included in considering company performance to calculate company value (Arora et al., 2018). SGR, which is the maximum sales growth that a company can achieve without running out or holding back the depletion of financial resources (Mamilla, 2019), has a good impact on the company. Increased attention to SGR is useful for estimating a company's independence in relying on its internal funding, which can then help companies to be able to carry out more realistic financial planning where the calculations contain operational and financial elements (Mamilla, 2019). SGR is important for identifying growth problems and evaluating the company's financial performance so that it can predict the company's sustainability in the future by focusing on company growth management.

By looking at the correlation with the company's sustainability, SGR can help disclose SR in a more complete and detailed manner. The benefits of SGR in predicting company sustainability can help companies develop and also maintain company performance in facing risks that will be faced in the future (Theresia & Triwacananingrum, 2022). Previous research gave positive results on the influence of SGR on one aspect of SR, namely the economic aspect, which made SGR want to be re-examined by researchers by looking at all aspects of SR (Mamilla, 2019; Nastiti et al., 2019).

H2: The Sustainable Growth Rate has a positive effect on the Sustainability Report

The Effect of the COVID-19 Pandemic on Good Corporate Governance in Disclosure of Sustainability Reports

COVID-19 is said to be a “game-changer” (Goodell, 2020) for its impact on all business operations, especially in terms of financing and capital costs that have been carried out by an entity. COVID-19 has had a major impact on structural and regulatory changes that have been established and made by companies, such as operational failures, supply chain disruptions, profitability, and decreased sales. GCG is an aspect of the company that provides advice and evaluates good and proper reporting, which can also be affected by COVID-19. The critical impact of the COVID-19 pandemic is that law, stakeholders in companies, and public policy will expect company management to be more responsive in responding to rapidly changing circumstances, with hopes for the better (Loflin, 2019).

However, if examined more deeply, COVID-19 has had a positive effect on GCG quality due to conditions that require companies to develop and place them in a disadvantageous position in maintaining their existence. Strong GCG practices can help companies survive in conditions of COVID-19 uncertainty, including in recovery and in future business plans. Therefore, the company's activities inevitably have to improve the quality of GCG so that the quality of SR disclosure can be better disclosed and can also be an added value for the company in maintaining quality to external parties.

H3: COVID-19 as a moderating variable strengthens (positively) the relationship between GCG and the Sustainability Report

The Effect of the COVID-19 Pandemic on the Rate of Sustainable Growth in Disclosure of Sustainability Reports

SGR according to Higgins (1977) is a condition in which a company can maintain maximum sales growth without any other sector within the company, especially finance, which is negatively affected. The COVID-19 pandemic has affected company performance, forcing several companies engaged in services and products to think about effective product promotion

methods and also maintaining good company quality, one of which is the growth rate which will greatly affect company quality (Nastiti et al., 2019).

Decisions taken by companies in the context of COVID-19 have considered the best and worst scenarios (Chen et al., 2021), but may lead to the worst scenario due to the uncertainty of COVID-19. Thus, the risk of SGR will increase together with the quality of SR. During COVID-19, SGR will be at risk and the company may not be able to grow as planned. The impact of the SGR will be reflected in the SR which shows the company's performance and growth.

H4: COVID-19 as a moderating variable weakens (negative) the relationship between SGR and the Sustainability Report

RESULTS

In this study, researchers have determined and also determined the collection of company data based on what has been listed on the Indonesia Stock Exchange (IDX) with a period ranging from 2018 to 2021 for companies engaged in the manufacturing, mining, and industrial sectors. In this study, the documentation method was used to take samples through data collection based on sustainability reports and annual reports owned by each company for the period 2018 – 2021 according to the year specified in this study.

The moderating variable, namely COVID-19, was measured using the dummy method taken from the year indicator showing COVID-19. To support the variables that already exist in this study, the researchers took several control variables that support the independent and dependent variables in this study including company size, profitability, leverage, and liquidity. The research model used in this study is a multiple linear regression model with the Ordinary Least Square (OLS) method which involves one dependent variable, two independent variables, one moderating variable, and four control variables. The following regression represents the research model used.

Model 1:

$$\boldsymbol{SRDI}_{i,t} = \alpha + \beta_1 \boldsymbol{GCG}_{i,t} + \beta_2 \boldsymbol{SGR}_{i,t} + \beta_3 \boldsymbol{UP}_{i,t} + \beta_4 \boldsymbol{PROF}_{i,t} + \beta_5 \boldsymbol{LEV}_{i,t} + \beta_6 \boldsymbol{LQDTY}_{i,t} + \cdots + \varepsilon$$

Model 2:

$$\boldsymbol{SRDI}_{i,t} = \alpha + \beta_1 \boldsymbol{GCG}_{i,t} + \beta_2 \boldsymbol{SGR}_{i,t} + \beta_3 \boldsymbol{GCG}_{i,t} * \boldsymbol{PERIOD} + \beta_4 \boldsymbol{SGR}_{i,t} * \boldsymbol{PERIOD} + \beta_5 \boldsymbol{UP}_{i,t} + \beta_6 \boldsymbol{PROF}_{i,t} + \beta_7 \boldsymbol{LEV}_{i,t} + \beta_8 \boldsymbol{LQDTY}_{i,t} + \cdots + \varepsilon$$

Table 1. Sample Selection According to Research Criteria

Description	Number of Companies
Companies in the manufacturing, mining and industrial sectors listed on the Indonesia Stock Exchange (IDX) for the period 2018 - 2021	188
Companies in the manufacturing, mining and industrial sectors that did not publish sustainability reports for the period 2018 – 2021	(146)
Number of sample companies	42
Number of years of observation (4 years)	168

Data that has ROA = 0	(10)
Outliers Data	(5)
Number of data samples	153

Source: Authors' Work (2023)

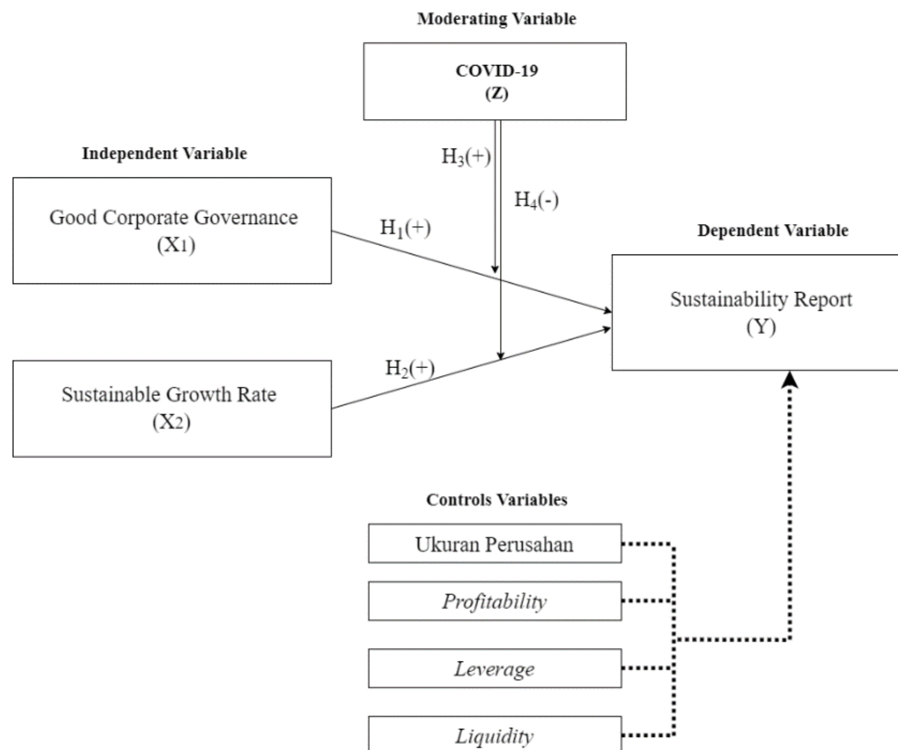

Figure 1. Research Framework
Source: Authors' Work (2023)

Table 2. Research Instruments

Variables	Measurement
Dependent Variable: Sustainability Report (SRDI)	SRDI is measured using the GRI (Global Reporting Initiative) standard (2022). The calculation method is done by giving a value of 1 for each item disclosed by the company, and a value of 0 for each item not disclosed by the company based on the GRI standard. The number of items calculated in the SR that are disclosed will be compared with the total disclosures implied in the GRI standards, namely 148 items which include General Disclosures, Economic Topics, Environmental Topics, Social Topics, and Management Approaches.
Independent Variable Good Corporate Governance (GCG)	The Indonesian Corporate Governance Index (ICGI) was developed by Tanjung (2020) to describe the GCG structure through 15 indices. Each index is given a score of 1 when the company fulfills the required compliance disclosures and 0 when otherwise. Therefore, the score varies from zero to a maximum of one.

Sustainable Growth Rate (SGR)	SGR is calculated by considering the Return on Equity (ROE) and Dividend Payout Ratio (DPR) through the following formula: $SGR = \frac{ROE \times (1 - \text{Dividend Payout Ratio})}{1 - [ROE \times (1 - \text{Dividend Payout Ratio})}$
Moderating Variable: COVID-19 (PERIOD)	The COVID-19 variable is measured by assigning a value of 1 to the year that is included in the year of COVID-19 (2020-2021), and a value of 0 for the year that is not included in the year of COVID-19 (2018-2019).
Control Variable: Firm Size (SIZE)	Natural logarithm (Ln) of total assets owned by the company (Aliniar & Wahyuni, 2017).
Profitability (PROF)	PROF is measured through the Return on Assets (ROA) which is calculated by dividing net profit after tax by total assets (Aliniar & Wahyuni, 2017).
Leverage (LEV)	LEV is measured through the Debt-to-Equity Ratio (DER) which is calculated by dividing total debt by total equity (Aliniar & Wahyuni, 2017).
Liquidity (LQDTY)	LQDTY is calculated by dividing current assets by current liabilities (Trisnawati et al., 2022).

Source: Authors' Work (2023)

DISCUSSION

Descriptive Analysis

From the results of the descriptive statistical analysis described above, it can be seen first that the number of research samples (N) is 153. This number is the sum of all samples of companies in the manufacturing, mining, and industrial sectors which have been multiplied by the number of years studied, namely 4 years starting from 2018 to 2021 and filtering has been carried out from the explanation of the research sample table. Where if translated for every year it consists of 42 companies that have entered into the research sample criteria.

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
SR	153	0.121620	1.267570	0.770075	0.164880
GCG	153	0.470000	1.000000	0.901634	0.130245
SGR	153	0.014215	0.654655	0.396545	0.183016
Covid	153	0	1.000000	0.490196	0.501546
SIZE	153	18.995300	32.454500	29.755792	4.106626
PROF	153	0.010000	0.240000	0.204379	0.054397
LEV	153	0.048000	1.991300	0.746744	0.242501
LQDTY	153	0.052973	16.908846	1.790262	1.680198
Valid N	153				

Source: SPSS ver 26

Notes:

SR	Sustainability Reporting	**SIZE**	Firm Size

GCG	Good Corporate Governance	**PROF**	Profitability
SGR	Sustainable Growth Rate	**LEV**	Leverage
COVID	COVID Year	**LQDTY**	Liquidity

Data analysis result

The classic assumption test examines the relationship between variables by tracing the data obtained. This test is also carried out to avoid bias due to the limitations of all data that can be used in the regression model. These are the criteria or statistical requirements that must be met in multiple linear regression analysis or Ordinary Least Square (OLS) and consist of tests for normality, multicollinearity, heteroscedasticity, and model specifications.

From the results of the multicollinearity test in the first model which has been presented in Table 2, it can be said that through the test results that have been carried out by researchers in this study, there is no multicollinearity problem because all the tolerances found in the results of the first model have values exceeding 0.1 and all VIFs are below 10 which indicates that this study does not have a multicollinearity problem.

Whereas for the second research model by combining the moderating variable, shows the tolerance value of all variables taken with the addition of the interaction between the COVID-19 variable and the independent variable showing the results of the tolerance value exceeding 0.1 as well and all VIF worth more than 10.

From the results of the normality test, based on the results of Asymp. Sig. with the provision that if the normality statistical test results get a result of less than 0.05 then it is said to be entered as a normality problem. If the results of the normality statistical test give Asymp results. Sig. exceeds 0.05, it can be said that there is no normality problem that occurs in the study. If you see Asymp. Sig. Both research models show the same result, namely 0.000 or less than 0.05 (Asymp. Sig. <0.05). Therefore the results of this statistical analysis can be stated that there is a problem of normality which will be recognized as a limitation of the study.

From the results of the heteroscedasticity test, in this section, the research model is said to have no heteroscedasticity problems if the significance value of all variables is more than 0.05 or (p-value > 0.05). from the results of model 1 which have been presented in Table 2, there is no heteroscedasticity problem because all the sig on variables in model 1 have exceeded the limits set in the previous explanation (p-value> 0.05) so it can be said that this study has no problems heteroscedasticity.

Whereas for model 2 there is one variable that has a value of less than 0.05, namely the interaction between the COVID-19 variable and Good Corporate Governance (GCG) or written in the table with the code GCG_PERIOD gives a result of 0.027 or the equivalent of 2.8%. Therefore this second research model can be said to have a heteroscedasticity problem and will be known by researchers within the limitations of the study.

From the results of the Durbin-Watson autocorrelation test from model 2 of 1.894767 which is between dU and 4-dU, it can be said that in this research model, there is no autocorrelation problem.

Table 3. Model 1 Regression Test Result

Model Summary			
R	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
0.384474	0.147821	0.112799	0.155302

Source: SPSS ver 26

Table 4. Model 2 Regression Test Result

Model Summary			
R	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
0.458303	0.210042	0.166156	0.150560

Source: SPSS ver 26

Through Table 2, the R Square value of model 1 research is 14%, which means good corporate governance, sustainable growth rates, company size, profitability, leverage, and liquidity can explain the disclosure of sustainability reports as the dependent variable of 14%. The remaining 86% is explained by other variables not involved in this study

In model 2 in this study, it shows that the large R Square which is owned by the independent variables, control variables, and additional moderating variables can affect the disclosure of sustainability reports by 21% where the remaining 79% can be explained by other variables not involved in this study.

Table 5. Model 1 Statistical Test F

ANOVA					
	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Regression	.611	6	.102	4.221	.001
Residual	3.521	146	.024		
Total	4.132	152			

Source: SPSS ver 26

Table 6. Model 2 Statistical Test F

ANOVA					
	Sum of Squares	**Df**	**Mean Square**	**F**	**Sig.**
Regression	.868	8	.108	4.786	.000
Residual	3.264	144	.023		
Total	4.132	152			

Source: SPSS ver 26

Through Table 4 above it can be seen that the significance value of the f test results in this first model shows a value of 0.001 or 0.1%, where this figure is still below the standard limit discussed above, namely 1% so that the research model in model 1 is declared valid or worth testing at a = 1%.

E-ISSN 2988-2664
Tangerang, October 11th, 2023

Table 5 also gives the results of Sig. of 0.000 or 0% where the value is below 1% so that this second research model by adding a moderating variable which previously only consisted of 2 variables in model 1, deserves to be tested at a = 1%.

Table 7. Summary of Research Hypothesis Test Results

Hypothesis Development	**SPSS Test Result**		**Description**
	Coef.	**Sig.**	
H_1: Good Corporate Governance has a positive effect on the Sustainability Report	0.237	0.043	In hypothesis 1 regarding the relationship between Good Corporate Governance in the Sustainability Report (SR), it produces a p-value of 0.043 which is divided by 2 to 0.0215 or 2.15%. This significance value meets the standard (at a = 1%). This is in accordance with the hypothesis previously set by the researcher so Hypothesis 1 is ACCEPTED.
H_2: The Sustainable Growth Rate has a positive effect on the Sustainability Report	0.217	0.007	Hypothesis 2 regarding the relationship between sustainable growth rates and sustainability report disclosure produces a p-value of 0.007/2 to 0.0035 or equivalent to 0.35%. This shows that the level of sustainable growth affects the disclosure of sustainability reports. This significance value meets the standard (at a = 1%). This is in accordance with the hypothesis previously set by the researcher so Hypothesis 2 is ACCEPTED.
H_3: COVID-19 as a moderating variable strengthens (positively) the relationship between GCG and the Sustainability Report	0.064	0.154	The p-value results in Table 4.20, with a value of 0.154/2 becomes 0.077 or 7.7%. This significance value meets the standard (at a = 5%). This is in accordance with the hypothesis previously set by the researcher so Hypothesis 3 is ACCEPTED.
H_4: COVID-19 as a moderating variable weakens (negative) the relationship between SGR and the Sustainability Report	0.008	0.873	The result of the p-value is 0.873/2 to 0.4365 or 43.65%. This significance value does not meet the significance requirements previously mentioned, which indicates that COVID-19 does not strengthen the relationship between SGR and SR, as well as the results of coefficient B on the t-test results which produces a positive number of 0.008 which is not in accordance with the prepared hypothesis so that the hypothesis 4 REJECTED.

Source: Authors’ Work (2022)

DISCUSSION

Through the results of testing the hypothesis stated previously, it can be said that GCG influences SR disclosure, which shows that the quality of governance has a good influence on the presentation of sustainability reports. Combating poor quality governance will affect the presentation of sustainability reports. This is because disclosing the existing governance structure is a good decision, one of which is from the company index provisions which have been determined by looking at the concept of good and correct governance according to Sidharta Utama (2022); Tanjung (2020) this can show that the role of good governance can help planning and disclosure of quality and in accordance with the needs experienced by the company and its impact on the surrounding elements. The results of this research are in line with the results that have been carried out previously. (Triwacananingrum et al., 2021) and (Dwi et al., 2020); (Dwita Aliniar & Sri Wahyuni, 2017) revealed that GCG has a positive effect on SR disclosure and other research which is also similar to the results of other research, namely (Aksan & Gantyowati, 2020). Meanwhile, research (Honggowati et al., 2017) reveals that GCG has no influence on SR disclosure.

In preparing this second hypothesis, researchers argue that a good growth rate that continues in a positive direction will indicate the quality of sustainability report disclosures. In other words, if a company can maintain a balance of good and positive growth, then the company will simultaneously build a quality ecosystem in both the financial and non-financial sectors which was explained in the previous chapter regarding the 3P concept, which is the reference for making this sustainability report after CSR previously appeared. as a report on social aspects.

The results provided through the t-test show that the level of sustainable growth has an effect on SR disclosure. This can explain the maximum growth rate in companies that have internal funding sources without changing existing financial policies, affecting SR disclosure. Meanwhile, if on the contrary the SGR in the company is not good and its performance is likely, then this will have a negative impact on sustainability disclosure. This is in line with research conducted by previous researchers, namely; (Arora et al., 2018); (Mamila, 2019); (Theresia & Triwacananingrum, 2022) has a positive influence on SGR disclosure. On the other hand, research from (Efri Raina, 2021) shows that SGR has a negative effect on SR disclosure.

Apart from testing the independent variables, namely GCG and SGR, this research also tests the influence of the COVID-19 pandemic in moderating this relationship. The COVID-19 pandemic is the main factor in the decline in company performance, especially companies in Indonesia

Based on the results of the t-test explained in the previous point, the influence of COVID-19 as a moderating variable on the relationship between GCG and SR which is represented by the code GCG_PERIOD gives significant results with a value of 154/2 being 0.077 or 7.7%. This significance value meets the standard (at a = 5%). So it can be explained that the COVID-19 pandemic has had a strong influence on the development of GCG which will result in good

SR quality. On the other hand, if there was no COVID-19 pandemic, it would weaken the relationship between GCG and SR disclosures. However, it should be noted again that the situation in this moderating variable is not permanent because, of course, it will return to the time before the pandemic, so according to researchers this is a good step for every company in developing and also improving the quality of the company by strengthening technological knowledge, creating rapid innovation and easy so that when this period ends the company can still provide good performance. This is also in accordance with what has been put forward by (Chen et al., 2019) who provided two arguments showing the influence of COVID-19 in strengthening corporate governance and also in weakening it. Apart from that (Theresia & Triwacananingrum, 2022) also gave the same results as Chen by showing the positive and negative effects of COVID-19 on the moderated variables.

The next relationship that researchers associate with the moderating variable is the influence of SGR on SR. In previous chapters, researchers stated that good and sustainable growth levels need to be supported by good conditions and situations that support this growth. So COVID-19, which has an impact on all sectors, one of which is revenue or profit, has become an important factor for companies to increase their sustainable growth. This also has similarities with several studies that have preceded this research which gave positive and negative results regarding the relationship between SGR and SR, which specifically defines SR into 3 aspects focused on SR, such as Economic, Social, and Environmental as well as the financial impact that has been researched by (Chen et al., 2019) and (Theresia & Triwacananingrum, 2022).

In the t-test results discussed previously, a p-value of 0.873/2 to 0.4365 or 43.65% was obtained, where this value cannot be said to be included in the significant provisions. So, it can be interpreted that COVID-19 strengthens the relationship between SGR and SR, whereas it would weaken if COVID-19 did not occur. This is because the companies in this study have a high average LQDTY or liquidity when compared to the average for each sector. With this high liquidity, the company can be said to have strong internal funding sources even though some of the periods in this research include the COVID-19 period.

This can be seen from the average LEV results for the entire industry studied in this research when compared with the DER results in this research, which is 0.7, which is still smaller than the average number obtained through S&P Capital IQ by researchers, namely 1.2. This shows that the companies studied in this research have quite strong internal financing capabilities. Meanwhile, for LQDTY, looking at the average industry capability results, the LQDTY level in this research is still considered reasonable considering the average LQDTY level for the entire industry of 1.81, during the COVID-19 period.

CONCLUSION

This study was conducted to examine the effect of GCG and SGR on disclosure of SR by also including a moderating variable, namely COVID-19 to see the effect of both. The research was tested on companies engaged in infrastructure, mining and industrial sectors listed on the

Indonesia Stock Exchange (IDX) for the 2018-2021 period, where as many as 153 companies had made adjustments based on how many sustainability reports were disclosed. The criteria for selecting sample data were collected using multiple linear regression and the classical assumption test to see the effect or relationship between variables in this study.

SR as a non-financial disclosure report issued by the company is one of the assessment indicators which is also seen as an external and internal assessment to support sustainable development that can be provided by the company in supporting the 3P aspects. In this case, SR provides good engagement and can assist companies in optimizing company performance and quality. Legitimacy theory can assist companies in determining actions that are in accordance with existing regulations around the company where this will provide a good response from external parties to compliance made by the company.

This research gives positive results of the influence of GCG on SR disclosure, which shows that the indicators used to represent GCG have shown that the role of GCG can help plan and prepare high-quality disclosures and in accordance with the needs experienced by the company and its impact on the surrounding elements.

In addition, SGR also provides positive results where the increasing attention to SGR is useful for estimating the independence of companies in relying on their internal funding, which can then help companies to be able to carry out financial planning in a more realistic manner where the calculations contain operational and financial elements, which directly affect both on the quality of SR disclosure. This can explain the magnitude of the maximum growth rate in companies that have internal funding sources without changing existing financial policies, affecting SR disclosure. Meanwhile, if on the contrary the SGR in the company is not good and its performance is likely, then this will have a negative impact on sustainability disclosure.

The influence of the moderating variable in this study gives two different results for the two relationships in the interaction between variables. The link between GCG and SR disclosure has had a positive influence, indicating that the COVID-19 pandemic provides both an obligation and a positive challenge for companies to maintain good performance and quality. The COVID-19 pandemic has had a strong influence on the development of GCG which will result in good SR quality. Conversely, if there is no COVID-19 pandemic, this will weaken the relationship between GCG and SR disclosures. However, it should be noted again that the situation in this moderating variable is not permanent during the recovery period after the pandemic, so according to this researcher this is a good step for every company in developing and also improving the quality of the company by strengthening technological knowledge, creating fast and easy innovations, so that when this period ends the company can still provide good performance.

In addition, COVID-19 had a positive impact on the relationship between SGR and SR disclosure. This can be explained that the companies in this study have an average liquidity which can explain that internal financing capabilities can still be handled well by the companies studied in this study. The researcher's argument from these results by looking at the activities and disclosures made by companies through the SR of each company, is through less company activities during COVID-19 period and it was possible that some companies reduced their workforce so that the obligations are reduced.

REFERENCES

Aliniar, D., & Wahyuni, S. (2017). Pengaruh Mekanisme Good Corporate Governance (GCG) dan Ukuran Perusahaan Terhadap Kualitas Pengungkapan Sustainability Report pada

Perusahaan Terdaftar di BEI. *Kompartemen: Jurnal Ilmiah Akuntansi*, *15*(1). https://doi.org/10.30595/kompartemen.v15i1.1377

Arora, L., Kumar, S., & Verma, P. (2018). The Anatomy of Sustainable Growth Rate of Indian Manufacturing Firms. *Global Business Review*, *19*(4), 1050–1071. https://doi.org/10.1177/0972150918773002

Chen, X., Liu, C., Liu, F., & Fang, M. (2021). Firm Sustainable Growth during the COVID-19 Pandemic: The Role of Customer Concentration. *Emerging Markets Finance and Trade*, *57*(6), 1566–1577. https://doi.org/10.1080/1540496X.2021.1904884

Correa-Garcia, J. A., Garcia-Benau, M. A., & Garcia-Meca, E. (2020). Corporate Governance and Its Implications for Sustainability Reporting Quality in Latin American Business Groups. *Journal of Cleaner Production*, *260*, 121142. https://doi.org/10.1016/j.jclepro.2020.121142

Donaldson, T., & Preston, L. E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *Academy of Management Review*, *20*(1), 65–91. https://doi.org/10.5465/amr.1995.9503271992

Goodell, J. W. (2020). COVID-19 and Finance: Agendas for Future Research. *Finance Research Letters*, *35*, 101512. https://doi.org/10.1016/j.frl.2020.101512

GRI. (2022). *Global Reporting Initiative*. https://www.globalreporting.org/

Higgins, R. C. (1977). How Much Growth Can a Firm Afford? *Financial Management*, *6*(3), 7–16. https://doi.org/https://doi.org/10.2307/3665251

Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, *3*(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X

Kencana, M. R. B. (2019). *BEI Dorong Perusahaan Tercatat Terapkan Pembangunan Berkelanjutan*. Liputan6. https://www.liputan6.com/bisnis/read/3950084/bei-dorong-perusahaan-tercatat-terapkan-pembangunan-berkelanjutan

Limanseto, H. (2021). *Pemerintah Tekankan Pentingnya Penerapan GCG untuk Keberlanjutan Bisnis dan Upaya Menarik Investasi*. Kementerian Koordinator Bidang Perekonomian. https://www.ekon.go.id/publikasi/detail/3025/pemerintah-tekankan-pentingnya-penerapan-gcg-untuk-keberlanjutan-bisnis-dan-upaya-menarik-investasi

Loflin, B. (2019). Future Ready Boards. *Harvard Law School Forum on Corporate Governance*, 1–4.

Madona, M. A., & Khafid, M. (2020). Pengaruh Good Corporate Governance terhadap Pengungkapan Sustainability Report dengan Ukuran Perusahaan sebagai Pemoderasi. *Jurnal Optimasi Sistem Industri*, *19*(1), 22–32. https://doi.org/10.25077/josi.v19.n1.p22-32.2020

Mamilla, R. (2019). A Study on Sustainable Growth Rate for Firm Survival. *Strategic Change*, *28*(4), 273–277. https://doi.org/10.1002/jsc.2269

Miles, S. (2012). Stakeholder: Essentially Contested or Just Confused? *Journal of Business Ethics*, *108*(3), 285–298. https://doi.org/10.1007/s10551-011-1090-8

Nastiti, P. K. Y., Atahau, A. D. R., & Supramono, S. (2019). Working Capital Management and Its Influence on Profitability and Sustainable Growth. *Business: Theory and Practice*, *20*, 61–68. https://doi.org/10.3846/btp.2019.06

OJK. (2017). *Pedoman Teknis Laporan Keberlanjutan (Sustainability Report) Bagi Emiten dan Perusahaan Publik*. https://r.search.yahoo.com/_ylt=Awr9.4Ygpo1kipUY4MFXNyoA;_ylu=Y29sbwNncTEEcG9zAzEEdnRpZANMT0NVSTA1OENfMQRzZWMDc3I-/RV=2/RE=1687033504/RO=10/RU=https%3A%2F%2Fwww.ojk.go.id%2Fid%2Fregulasi%2Fotoritas-jasa-keuangan%2Francangan-regulasi%2FDocuments%2FLAMPIRAN%2520RSEOJK%2520II%2520-%2520BENTUK%2520DAN%2520ISI%2520LAPORAN%2520TAHUNAN%2520EMITEN%2520ATAU%2520PERUSAHAAN%2520PUBLIK.pdf/RK=2/RS=0x.cq2TrG5MHGSNDG.LVeMb.6rY-

Rezaee, Z. (2019). *Business Sustainability, Corporate Governance, and Organizational Ethics*. John Wiley & Sons. https://books.google.com/books?hl=en&lr=&id=udK8DwAAQBAJ&oi=fnd&pg=PT22&dq=Business+Sustainability,+Corporate+Governance,+and+Organizational+Ethics&ots=H_3IrHSrWn&sig=4FGRVt5pkR6g_U4xDa3HyvxTfQs

Tanjung, M. (2020). A Cross-Firm Analysis of Corporate Governance Compliance and Performance in Indonesia. *Managerial Auditing Journal*, *35*(5), 621–643. https://doi.org/10.1108/MAJ-06-2019-2328

Theresia, V. M., & Triwacananingrum, W. (2022). Sustainability Reporting and Sustainable Growth Rate: : COVID-19 as Moderating Variable. *Media Riset Akuntansi, Auditing & Informasi*, *22*(1), 41–64. https://doi.org/10.25105/mraai.v22i1.12824

Trisnawati, R., Dwi Wardati, S., & Putri, E. (2022). The Influence of Majority Ownership, Profitability, Size of the Board of Directors, and Frequency of Board of Commissioners Meetings on Sustainability Report Disclosure. *Riset Akuntansi Dan Keuangan Indonesia*, *7*(1), 94–104. https://doi.org/10.23917/reaksi.v7i1.17783

Triwacananingrum, W., See, B. D. P., Plesley, I. M., & Tedja, J. (2021). The Impact of Corporate Governance on the Tendency of Sustainability Reporting. *Jurnal Pendidikan Akuntansi Indonesia*, *19*(1), 27–34. https://doi.org/10.21831/jpai.v19i1.39240

Utama, S., Fitriany, Veronica Siregar, S., Rahadian, Y., Utama, C. A., & Simanjuntak, J. (2022). *Tata Kelola Korporat di Indonesia: Teori, Prinsip, dan Praktik*. Salemba Empat. https://api.penerbitsalemba.com/book/books/02-0353/contents/25d748af-7201-41fd-9ab3-5491034ab2a3.pdf