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The Signalling of Sustainability Reporting Award in Indonesia and Its Effects on Financial Performance and Firm Value

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This research aims to test whether the Sustainability Reporting Award has an effect on a company's financial performance and the firm value of nonfinancial public companies listed on the Indonesia Stock Exchange. This study uses panel data of 2,985 observations for the 8-year time period during 2010-2017. This research was conducted quantitatively with Ordinary Least Square (OLS) regression and uses robust standard errors to test the hypothesis. The statistical result of the test shows that the Sustainability Reporting Award has a positive and significant impact on both financial performance represented by ROA and firm value represented by Tobin's Q.

Key words: *Sustainability Reporting Award, financial performance, firm value.*

Introduction

With the accelerating pace and success of the world economy, there is an unavoidable and adverse decrease in environmental quality that is in line with the rapid growth of industry (Nasih, Harymawan, Paramitasari, & Handayani, 2019). In recent times, one of the critical issues faced in the business environment is the reality that there are still several companies that present an annual report which has the financial measure as their main interest. The taking of a shareholders' perspective approach has led to criticism by the stakeholders that the intention of the company seems in short-term orientation only (Bradford, Earp, & Williams, 2017). Conversely, the lack of information on nonfinancial measures could lead investors to make a wrong decision. This issue has induced some companies to present transparency rather than just financial measures, as measuring the value of a company's success is not given by financial factors only but also nonfinancial factors (Arvidsson, 2011).

Toward a company's main objective of financial sustainability, companies issue sustainability reports in order to disclose any performance related to environmental, economic, and social activities, and thereby become an accountable company for all stakeholders (Bradford *et al*., 2017). Sustainability reports also help companies communicate these environmental, economic, and social activities transparently, and prevent any losses for either the company or stakeholders due to undelivered information (Loh, Thomas, & Wang, 2017). Several studies have investigated how, for companies that have an environmental impact, the sustainability report may affect firm performance (Kuzey & Uyar, 2016; Reddy, 2010).

The Sustainability Reporting Award program, which was created by the National Center Sustainability Reporting (NCSR), has successfully encouraged companies to issue sustainability reports by giving them an award. Figure 1 shows that there is a positive trend of companies in Indonesia that have joined this program established in 2005. As recorded on the database from NCSR, there were only seven participants joining the Sustainability Reporting Award program in 2005. Since then, this number has increased: 56 participants joined the program in 2018. The Sustainability Reporting Award is divided into several categories, including financial services, mining and metal, oil and gas, energy, infrastructure, manufacturing, and government agencies. There are also other awards for first-year issuance, combined report, and overseas. The newest assessment of the sustainability report implementation rating is based on the GRI's (Global Reporting Initiative) Sustainability Reporting standard developed by the GSSB (Global Sustainability Standards Board) which may be applied by the company as a framework to prepare the sustainability report. As for Indonesia, the State Minister of Environment regulation Number 03 Year 2014 has ranked the firm's environment performance through a program named Program for Pollution Control, Evaluation and Rating or PROPER (Basuki & Irwanda, 2018).

Figure 1. Number of SRA Participants

Many findings show that an award plays a significant role in a company's performance. In the United States, Balridge Performance Excellence Award, which is an award for product quality in manufacturing and service businesses—small and large— education and healthcare organizations, and nonprofit/government companies, is viewed positively by stakeholders, and has a significant impact on firm value (Jacob, Madu, & Tang, 2012). In other types of awards, studies have investigated how the award positively impacts the market share (Gemser, Leenders, & Wijnberg, 2008). In Thailand, there is evidence that integrated reporting, and receiving a CSR award, positively affect a company's corporate financial performance (Suttipun, 2017).

The case of Sustainability Reporting Awards thus becomes an interesting topic. It has been researched in several studies. There is evidence that the Sustainability Reporting Award has positively affected the company's value relevance of financial statements as a part of accounting information (Sutopo, Kot, Adiati, & Ardila, 2018). In other studies, there is evidence that the disclosure of the sustainability report has positively impacted the profitability of companies who won in the Sustainability Reporting Awards (Dewi & Sudana, 2015). On the contrary, there is also evidence that companies who won a Sustainability Reporting Award experienced no change in financial performance (Almilia, Dewi, & Hartono, 2011;Arthini & Mimba, 2016; Tyagi & Siddiqui 2017).

Based on the previous studies, there is very limited research concerning the effect of signalling Sustainability Reporting Award (SRA) on financial performance and firm value. This research is distinguished from prior research by its sample data, which covers all

companies listed on the Indonesia Stock Exchange (IDX) within the 8-year time period (2010-2017), except financial companies. Data is gathered through OSIRIS, financial statements, and annual reports. The financial institutions are excluded from this sample due to the different nature of their reporting. The sample size for this research is 2,985 firms after excluding missing data.

Literature Review

Stakeholder Theory

Stakeholder theory suggests that the indicator of the prosperity of a company depends on whether all the stakeholders' interests are satisfied, not just the shareholders who profit from their stock (Freeman & Mcvea, 2001). A couple of groups inside and outside the business value chain may significantly impact what the firm does, and managers need to pay attention to what they want. There is evidence that paying attention to the core stakeholders, such as suppliers, employees, customers, and shareholders, is a very critical key to drive sustained financial success for a company (Wicks, 2014).

In relation to the research topic under stakeholder theory, a Sustainability Reporting Award helps the stakeholders feel that the company has fulfilled their basic moral right to be treated in a way that respects their interests (Nwanji & Howell, 2007). The very entity of the Sustainability Reporting Award itself has appraised that, by disclosing and submitting a sustainability report in accordance with the GRI's Sustainability Reporting Standards, the social and environmental actions undertaken by companies, especially companies that received the award, can be interpreted as in fulfillment of certain criteria that are very favourable for stakeholder interests. A Sustainability Reporting Award obtained by a company may ratify the information as trustworthy for the stakeholders and thus impact the firm by looking at financial performance and firm value indicators.

Legitimacy Theory

In the process of running an operational business, it cannot be denied that a company is an integral part of society. Legitimacy theory refers to the linkage between companies and social or environmental activities (Vitolla & Rubino, 2017). There is an expectation from society that a company should act in a responsible manner in light of the environmental damage caused by business operations. In relation to the research topic under legitimacy theory, a Sustainability Reporting Award helps the company bond with society. The entity of the Sustainability Reporting Award program, which has appraised any sustainability report disclosed and submitted by the participant, conveys that, by joining this program, the participating company is endeavouring to fulfil society's expectation that it will act responsibly for the environmental damage caused by business operations. A Sustainability

Reporting Award obtained by a company will be recognized by society, which may gain a better understanding of the company's business decisions and, by using financial performance and firm value as indicators, a way of comparing this to what is expected .

Signalling Theory

Signalling theory basically describes the means a company uses to compensate for the asymmetry of information between two sides. For companies, it is a good strategy to create a competitive advantage by delivering some good information to the stakeholders, while also preventing any misinterpretation. In this case, a company will give a signal to the stakeholders by issuing a sustainability report to help them make better decisions. This may lead to better financial performance for the company (Levy & Lazarovich-Porat, 1995).

In relation to the research topic under signalling theory, a Sustainability Reporting Award is information that conveys a company's concern for the social and environmental impact of its business operations. It is crucial for a company to deliver this information to society and reap the benefits of it. As for the stakeholders, information related to the Sustainability Reporting Award is used for the consideration of final decisions that may be improved if the information is known to stakeholders. The effect of signalling a Sustainability Reporting Award (SRA) to the stakeholders can be seen as indicators of financial performance and firm value.

Financial Performance and Sustainability Reporting Award

As described in legitimacy theory, a company is a part of society and it cannot be denied that a company and its surrounding society need a reciprocal relationship. For a company, business operations cannot be done without community assistance. From the community side, there is a social expectation that a company will act in a responsible manner for the environmental damage caused by its operations (Archel, Husillos, Larrinaga, & Spence, 2009). The disclosure of any company's performance related to economic, environmental, and social activities are presented publicly by the sustainability report. The sustainability report helps a company communicate its performance in environmental, economic, and social activities transparently, and prevents any losses on its, or the stakeholder's side due to undelivered information (Loh *et al*., 2017).

It becomes a crucial topic for a company that has an environmental and social impact, especially when it is related to what the stakeholders want. Stakeholder theory suggests that the indicator of company success depends on whether all stakeholders' interests are satisfied (Freeman & Mcvea, 2001). Based on a survey conducted by KPMG in 2017, preparing a nonfinancial report has become popular recently. There has been a tremendous increase of

companies issuing sustainability reports in the last decade. However, a Sustainability Reporting Award is intended to encourage companies by issuing a sustainability report that shows an appreciation for companies that have fulfilled some criteria defined by the panels, which consider the GRI's Sustainability Reporting standard as a framework. The impact of the Sustainability Reporting Awards on the financial performance of companies that hold this award and companies that do not hold this award thus becomes an interesting topic to be studied. Several researchers have studied the effect of signalling Sustainability Reporting Awards on financial performance. A study in 2016 found that a Sustainability Reporting Award has an effect on the ROA, ROE, and NPM as the indicator of financial performance, but not significantly (Arthini & Mimba, 2016). On the contrary, a study in 2015 found that this award affected positively the financial performance with Return on Assets as the indicator (Dewi & Sudana, 2015). In a different period, a study in 2013 found that this award positively affected financial performance with Return on Assets and Return on Equity as the indicators (Firmani, 2013). Based on the assumption described above, the first hypothesis of this study is as follows:

H1: The announcement of a Sustainability Reporting Award (SRA) has a positive effect on the company's financial performance.

Firm Value and Sustainability Reporting Award

Alongside the increase in a company's performance caused by the issuing a sustainability report is an automatic increase in the attractiveness of the company to investors (Lubis, Sinaga, & Sasongko, 2017). Environmental management accounting practices are also noted to make higher firm value (Agustia, Sawarjuwono, & Dianawati, 2019), which suggests that the environmental issue provides a better image to the investor. This issue may happen because the rate of return or dividend received by the investors increases alongside the company's performance (Mogonta & Pandowo, 2016). This attractiveness will also have an impact on the stock price of the company in the capital market, which will eventually increase. Generally, by considering stock price as the indicator, firm value is related to the investor's perception of the company's performance (Rajhans & Kaur, 2013). In this case, the benchmark of management success in relation to this topic is the ability of management to enhance the value of the firm and, thus, to bring benefit to the shareholders. The higher the price of the stock, the higher the value of the firm. As a result, not only the public trust in the present performance of the company will increase, but also the company's prospects in the future.

Moreover, all information related to the company's performance in sustainable development through the sustainability report is crucial for investors as they make an investment decision. Based on the signaling theory, as the company delivers the information needed by investors,

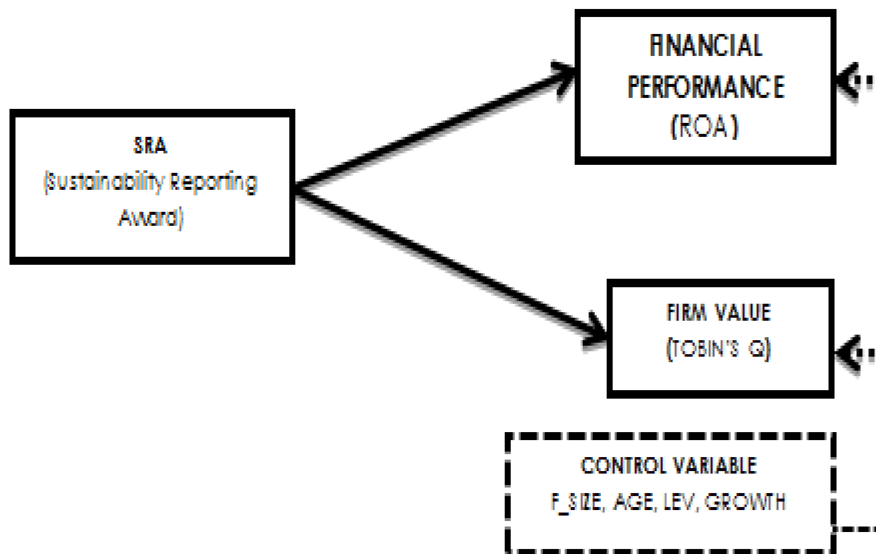
the risk of asymmetric information, which prevents investors from making an investment, will be less (Levy & Lazarovich-Porat, 1995). The existence of Sustainability Reporting Awards in this case is intended to increase a company's desire to prepare a sustainability report and, therefore, the effectiveness of Sustainability Reporting Awards in making a difference between companies who won this award and companies who did not win this award on the firm value. This is then an interesting topic to be studied. There are several researchers who have studied the effect of signalling Sustainability Reporting Awards on firm value. A study in 2014 found that a Sustainability Reporting Award positively affected the firm value with Market to Book Ratio as the indicator (Widyastuti & Tarigan, 2014). In examining the effects of this award on the value relevance of financial statements, a study in 2018 found that signalling Sustainability Reporting Awards affected positively the firm value with Earning per Share and Stock Return as the indicators (Sutopo *et al*., 2018). Based on the assumption described above, the second hypothesis of this study is as follows:

H2: The announcement of a Sustainability Reporting Award (SRA) has a positive effect on firm value.

Research Conceptual Framework

The research conceptual framework provides an overview and directs an assumption about variables examined in this research by giving a correlation between variables. Based on the hypotheses that have been developed in this study, the researcher uses Sustainability Reporting Award (SRA) as independent variable, and Financial Performance, which is proxied by Return on Asset (ROA), and Firm Value, which is proxied by Tobin's Q (TOBINS), as dependent variables. In this research, control variables are applied by involving variables of Size, Age, Leverage, and Growth so that the relationship of the independent variable to the dependent variable is not influenced by external factors which are not being examined and that may affect the end result. Correlation between variables used in this research is illustrated in Figure 2:

Figure 2. Research Conceptual Framework



Research Methodology
Data and Sample

This study took the subject of all non-financial public companies listed on the Indonesia Stock Exchange within 2010-2017. This covers agriculture, mining, basic industry and chemical, miscellaneous industry, consumer goods, property, real estate, and building construction, infrastructure, utilities, and transportation, trade, services, and the investment sector. Data was gathered through the National Center Sustainability Reporting (NCSR) website, company websites, financial statements and annual reports. The financial industry was excluded from this sample due to the different nature of its reporting. The sample size for this research is 2,985 firms after excluding the missing data.

Financial Performance

This study uses financial performance as one of its dependent variables. Financial performance is the financial condition of a company at a specific time period. Under this study, the researcher uses the Return on Asset (ROA) variable as an indicator of financial performance. Making an improvement in terms of effectiveness in operational activities may create a competitive advantage in the industry (Vimrová, 2015). Therefore, it is crucial for a company to make a decision for the future by considering the financial performance in the present time. ROA is measured by dividing the net profit obtained by the company over the company's overall resources or assets that have been used when running the business to obtain profit.

Firm Value

This study also uses firm value as one of its dependent variables. Firm value is a specific condition that has been achieved by the company. It is a representation of public trust which the company has accumulated over the years it has been running (Marsha & Murtaqi, 2017). Generally, firm value always refers to the investor's perception toward the performance of a company by considering stock price as the indicator (Rajhans & Kaur, 2013). Under this study, the researcher uses Tobin's Q variable as an indicator of firm value. Tobin's Q is measured by dividing the value of the company's shares over its replacement value, which is indicated by the value of the company's assets (Gharaibeh & Qader, 2017).

Measurement of Sustainability Reporting Awards and Concerning Variables

The independent variable in this study is Sustainability Reporting Award, which is measured by the condition whether the company received the Sustainability Reporting Award or not. It is measured by using a dummy variable, which will be given 1 if the company received the Sustainability Reporting Award and 0 if the company did not. This data will be manually collected from the website of the National Center Sustainability Reporting (NCSR) for the period 2010-2017.

This study employs firm size, firm age, leverage, and sales growth as its control variables. Firm size is the big picture of the overall assets owned by the company that may affect the end result of the research due to the size of the firm (Dang, Li, & Yang, 2018). It is measured by using the natural log of total assets. Firm age is the length of time the company has existed since its incorporation and was able to carry out its operational activities in the scope of its business. It is measured from the time the company was incorporated to the year of annual report and financial statements will be used for this research (2010-2017). Leverage is the level of a company's loan, which refers to the financing policy of a company to secure funding from debt issued. It is measured by dividing the total liabilities over the total company's assets. Sales growth is an increase in the number of sales from year to year. It is measured by dividing the changes in sales over the previous year's sales.

Table 1: Operational Definition and Measurement of Variables

	Variable	Definition	Measurement
Dependent:			
Financial Performance	ROA	Ratio that measures the efficiency of a company in managing its assets.	ROA = (Net Income) / (Total Assets)
Firm Value	TOBINS	Ratio that provides information on how much the community values the company.	Tobin' s Q = (EMVit + Dit) / (Total Assets)
Independent:			
Sustainability Reporting Awards	SRA	It represents the difference between companies who received the Sustainability Reporting Award and companies who did not.	If the company received the SRA, we use numerical indicator = 1. If not, we use numerical indicator = 0.
Control:			
Firm Size	F_SIZE	It represents the overall assets owned by the company.	Firm Size = Ln (Assets)
Firm Age	AGE	The period of time the company has existed since incorporation.	The time from when the company was incorporated to the year of the annual report and financial statements will be used for this research (2010-2017).
Leverage	LEV	Ratio that measures the ability of the company to meet its financial obligations.	Leverage = (Total Liabilities) / (Total Assets)
Sales Growth	GROWTH	It refers to the company’s ability to maintain its economic position from year to year.	Growth = [Sales(n) - Sales(n-1)] / [Sales(n-1)]

Data Analysis Technique

The data analysis techniques used in this research are descriptive statistical analysis test, Pearson correlation test, independent sample t-test, and multiple linear regression. Before running the data analysis technique, winsorizing is needed to overcome problems of any extreme data caused by outliers in data distribution. An outlier is a data point that differs significantly from other observations and that may cause a serious problem in statistical analysis. Through STATA software, this method will convert the highest outlier value to the 99% percentile and the lowest value to the 1% percentile by the command "winsor2". The regression model used for their respective hypotheses in this study is as follows:

Hypothesis 1

ROA = α + β1SRA + β2F_SIZE + β3AGE +β4LEV + β5GROWTH + Ɛ
Hypothesis 2
TOBINS = α + β1SRA + β2F_SIZE + β3AGE +β4LEV + β5GROWTH + Ɛ
Whereas,
ROA = Return on Assets
TOBINS = Tobin's Q
α = Constant or intercept.
β1- β5 = Regression Coefficient
SRA = Sustainability Reporting Awards
F_SIZE = Firm Size
AGE = Age of company
LEV = Leverage
GROWTH = Sales growth
Ɛ = Residual Error

Result and Discussion
Descriptive Statistics

The descriptive statistics for this study are shown to further describe the variables presented in this study. Information about the mean, median, minimum, and maximum value of each research variable used in this research is provided as shown in Table 2 below, which are Financial Performance (ROA), Firm Value (TOBINS), Indonesia Sustainability Reporting Award (SRA), Leverage (LEV), Sales Growth (GROWTH), Firm Age (AGE), and Firm Size (F_SIZE).

Table 2: Descriptive Statistics

	Mean	**Median**	**Minimum**	**Maximum**
ROA	0.050	0.037	-0.484	0.716
TOBINS	1.209	0.616	0.045	11.479
SRA	0.022	0.000	0.000	1.000
LEV	0.545	0.501	0.035	3.029
GROWTH	0.174	0.090	-0.885	4.052
AGE	30.428	28.000	4.000	112.000
F_SIZE	21.414	21.456	16.635	25.137

Notes: This table displays the descriptive statistics for all variables used in this research. The sample of this study amounted to 2,985 samples from non-financial firms listed in IDX in 2010-2017.

Pearson Correlation Test

Pearson correlation test is an analysis technique that examines the strength and direction of the relationship between two variables. The two variables can be indicated to have a correlation between each other only if the change of one variable may cause the other variable to change (Obilor & Amadi, 2018). Based on Table 3 Sustainability Reporting Award (SRA) has a positive correlation with both Tobin's Q (TOBINS) with a coefficient of 0.055, significant at 1% and ROA with a coefficient of 0.072, significant at 1%. It means companies who hold a Sustainability Reporting Award (SRA) will increase firm value measured by Tobin's Q (TOBINS) and financial performance measured by ROA.

Table 3: Pearson Correlation Test

	TOBINS	ROA	SRA	LEV	GROWTH	AGE	F_SIZE
TOBINS	1.000						
ROA	0.213***	1.000					
	(0.000)						
SRA	0.055***	0.072***	1.000				
	(0.003)	(0.000)					
LEV	-0.035*	-0.199***	-0.038**	1.000			
	(0.055)	(0.000)	(0.036)				
GROWTH	0.051***	0.076***	-0.017	-0.060***	1.000		
	(0.006)	(0.000)	(0.340)	(0.001)			
AGE	0.013	0.058***	0.092***	0.002	-0.071***	1.000	
	(0.469)	(0.002)	(0.000)	(0.907)	(0.000)		
F_SIZE	-0.035*	0.162***	0.225***	-0.093***	-0.028	0.108***	1.000

	(0.058)	(0.000)	(0.000)	(0.000)	(0.132)	(0.000)	

Notes: *** Correlation is significant at the 1% level (2-tailed); ** Correlation is significant at the 5% level (2-tailed); * Correlation is significant at the 10% level (2-tailed);

Independent Sample T-Test

Independent sample t-test is a comparative test aimed to define any significant difference between two groups (the firm with/without SRA) using comparison between the mean variable of the two groups. As shown in Table 4, the mean value of firm value indicated by Tobin's Q for the firms that hold a Sustainability Reporting Award is 1.869, which is 56,4% bigger than the mean value of firm value for firms that do not , which is 1.195 and this difference is significant at 1%. In addition, the mean value of financial performance indicated by ROA for the firms that hold a Sustainability Reporting Award is 0.120, which is 144,9% bigger than the mean value of financial performance for firms that do not, which is 0.049 and this difference is significant at 1%.

Table 4: Independent Sample T-Test

	Firm with SRA	**Firm with No SRA**	**Coef.**	**t-value**
TOBINS	1.869	1.195	0.675***	3.018
ROA	0.120	0.049	0.071***	3.954
LEV	0.439	0.548	-0.108**	-2.099
GROWTH	0.105	0.176	-0.071	-0.953
AGE	41.692	30.177	11.515***	5.038
F_SIZE	24.026	21.356	2.670***	12.618

Notes: N= 2985; *t>1.645, **t>1.961, ***t>2.577, in significance level of 10%,5%, and 1%

Regression Result Analysis Test

Ordinary Least Square (OLS) regression is conducted in order to examine the effect of having a Sustainability Reporting Award on a company's financial performance and firm value. The control variables are leverage, sales growth, firm age, and firm size. The regression for each hypothesis is conducted using robust standard error. Robust standard error is used to strengthen the error standard in the regression model so that the result will be fairly constant against any changes and outliers to the regression model and mitigate the heteroscedasticity and autocorrelation problem (Wilcox & Keselman, 2011). It is designated to make the test a little bit more conservative, so it is less likely to commit an error result.

Table 5 shows the regression table for Sustainability Reporting Award on financial performance (ROA) and firm value (TOBINS). In column (1), the statistical result of OLS

regression using robust standard errors to test the first hypothesis shows that SRA variable has a coefficient of 0.028 (t=1.98) that is significant at 5%. This result determines that, for firms who hold a Sustainability Reporting Award, it has a positive impact and significantly influences the financial performance indicated by ROA. Meanwhile, in column (2), the statistical result of OLS regression using robust standard errors to test the second hypothesis shows that SRA variable has a coefficient of 0.787 (t=2.84) that is significant at 1%. This result determines that, for firms who hold a Sustainability Reporting Award, it has a positive impact and significantly influences the firm value as indicated by Tobin's Q.

Table 5: OLS Robust Regression Analysis

	Predicted	(1)	(2)
	Directions	ROA	TOBINS
SRA	+	0.028**	0.787***
		(1.98)	(2.84)
LEV	-/+	-0.063***	-0.006
		(-4.66)	(-0.04)
GROWTH	+	0.017***	0.129**
		(3.35)	(2.00)
AGE	+	0.000***	0.002
		(3.39)	(0.95)
F_SIZE	+	0.011***	-0.042*
		(6.12)	(-1.81)
_cons		-0.191***	1.946***
		(-4.65)	(3.59)
Industry fixed effect		Included	Included
Year fixed effect		Included	Included
r2		0.163	0.089
N		2985	2985

Notes: N = 2985 *t>1.645, **t>1.961, ***t> 2.577, in significance level of 10%, 5%, and 1%

Discussion

The Effect of Sustainability Reporting Award on Financial Performance

The first hypothesis in this research stated that the announcement of a Sustainability Reporting Award (SRA) has a positive effect on the company's financial performance. As presented in Table 4.4, the statistical result shows that a Sustainability Reporting Award is positively significant to the financial performance as indicated by ROA with a coefficient of 0.028 (t=1.98) and, thus, the first hypothesis is accepted. This result conveys that, for the firms who hold a Sustainability Reporting Award, there will be a positive and significant impact on their financial performance. This result supports previous studies that found that a

Sustainability Reporting Award affected positively the financial performance with Return on Assets as the indicator (Dewi & Sudana, 2015; Firmani, 2013).

The positive and significant impact between Sustainability Reporting Award and financial performance shows that stakeholders interpret this award as a positive thing for them by the fact that the company pays attention to what they want. That condition will rationally enhance financial performance. Related to the signalling theory proposed in this research, the companies who held a Sustainability Reporting Award successfully delivered the information to stakeholders that the company is concerned with sustainability and benefitted as a consequence. This condition is also in line with stakeholder theory proposed in this research, which states that the indicator of the prosperity of a company depends on whether all stakeholders' interests are satisfied, because a couple of groups inside and/or outside the business value chain may significantly impact what the firm does (Freeman & Mcvea, 2001). In this case, a Sustainability Reporting Award helps the stakeholders feel that the company has fulfilled their basic moral right to be treated in a way that respects their interests (Nwanji & Howell, 2007). According to the results, a Sustainability Reporting Award obtained by the companies will impact the firm's financial condition by looking at its financial performance indicator.

The Effect of Sustainability Reporting Award on Firm Value

The second hypothesis in this research stated that the announcement of a Sustainability Reporting Award (SRA) has a positive effect on firm value. As presented in Table 4.4, the statistical result shows that Sustainability Reporting Award is positively significant to the firm value as indicated by Tobin's Q with a coefficient of 0.787 (t=2.84) and, thus, the second hypothesis is accepted. This result implies that, for firms who hold a Sustainability Reporting Award, there will be a positive and significant impact to their firm value. This result agrees with our previous study in 2014 which found the Sustainability Reporting Awards positively affected the firm value with Market to Book Ratio as the indicator (Widyastuti & Tarigan, 2014). In examining the effects of this award on the value relevance of financial statements, a study in 2018 also found that signalling Sustainability Reporting Awards affected positively the firm value with Earning per Share and Stock Return as the indicators (Sutopo, et al, 2018).

The positive and significant impact between Sustainability Reporting Award and firm value shows that investors interpret this award as something companies do to enhance their value and this condition will rationally enhance their firm value. In line with the legitimacy theory proposed in this research, it shows that companies were successfully signalling the investors to how they have held up their obligations to society and the environment, thereby legitimizing their business practises. As a result from this situation, a Sustainability Reporting

Award helps the companies enhance the perception of their investors as a market valuation toward the companies' performance over the business by looking at its firm value indicator (Rajhans & Kaur, 2013).

Conclusion

This research has empirically investigated whether a Sustainability Reporting Award has an effect on a company's financial performance and firm value of public companies listed on the Indonesia Stock Exchange for the years 2010-2017. This study uses panel data of 2,985 observations over the 8-year time period between 2010-2017. The data covers nonfinancial companies in agriculture; mining; basic industry and chemical; miscellaneous industry; consumer goods; property, real estate, and building construction; infrastructure, utilities, and transportation; trade, services, and the investment sector.

Our study has discovered two major findings. First, the result of the test shows that a Sustainability Reporting Award has a positive and significant impact on financial performance. This result shows that, for the firms who hold a Sustainability Reporting Award, there will be a positive and significant impact to their financial performance. This result supports the research conducted by Firmani (2013) and Dewi and Sudana (2015). Second, the result of the test shows that a Sustainability Reporting Award has a positive and significant impact on firm value. This result implies that, for the firms who hold a Sustainability Reporting Award, there will be a positive and significant impact to their firm value. This result agrees with research conducted by Widyastuti and Tarigan (2014) and Sutopo *et al*. (2018).

To improve future research in a similar field by considering the fact that the financial performance and firm value can be explained by a Sustainability Reporting Award and control variable researched for 8.9% and 16.3%, respectively, the researcher includes some suggestions. First, future researchers should consider making some addition or substitution of control variables that may give different results to the percentage of the independent variable and that can explain any changes in the dependent variable. Second, related to this research about the effect of an award to the company's financial performance and firm value, future research can observe other types of awards to test whether it has an effect on company's financial performance and firm value.

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