SUSTAINABILITY PERFORMANCE DETERMINANTS WITH INVESTMENT OPPORTUNITY AS MODERATION

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Abstract:
This study aims to determine the effect of public ownership and public ownership on sustainability performance with the Investment Opportunity Set (IOS) as a moderating variable. This type of research is quantitative associative using secondary data taken from the IDX website. The population in this study were manufacturing companies listed on the Indonesia Stock Exchange from 2015 to the end of 2019. The sample selection procedure in this study used the purposive sampling method; only 87 company data met the criteria. The results of this study Public Ownership have a significant effect on sustainability performance; there is an effect of public ownership on sustainability performance. The IOS can moderate the influence of Public Ownership on Sustainability performance.

Keywords: Public Ownership; Growth Option; Sustainability performance; IOS

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INTRODUCTION

Sustainability performance is understood as a manifestation of commitment to Corporate Social Responsibility or commonly abbreviated as CSR. According to (Catalão-Lopes et al., 2016), CSR is a form of company concern in setting aside some of its profits to benefit human development and the environment based on precise and professional procedures. The survival of a company will only occur if the company cares about economic growth, environmental development, and about

Sustainability performance can be influenced by several operational activities and non-operational activities of the company, such as investment opportunities marked by public ownership and distribution of shares with public ownership. According to Bart Manning, Geert Braam, and Daniel Remsbach (2019), previous research found that public ownership significantly affects sustainability performance. Ardiyani Puspita (2014) found that public ownership and public ownership positively affected sustainability performance. According to Isabel Lourenco and Manuel Castelo (2015) found that public ownership and public ownership have a negative effect on sustainability performance, according to Tracy Artiach, Darren Lee, David Nelson, et al. (2010) found,

Investment Opportunity Set (IOS) is an investment opportunity option in the future or in the future that can affect the growth of company assets or company projects that have a positive net present value. Therefore IOS has such an important role for company performance because IOS is an investment decision in the form of a combination of assets owned and investment options in the future, where the IOS will affect the value and performance of a company (Pagalung, 2003) in Sufi Fajrotus Syifa (2015). According to Gaver and Gaver (1993) in Arka Pradipta Budi Dharma (2014), the IOS is a company value whose amount depends on expenses determined by management in the future, which at this time are investment choices that are expected to generate greater returns for the company. The IOS can be said to be a set of investment opportunities that must be considered by company management in order to see the opportunities that exist and take advantage of them to improve the performance of the company in the future so that it will continue to grow and survive sustainably. Therefore, every manager must be able to make the right decisions and consider various existing aspects. And this IOS is closely related to performance that is sustainable in an organization or company. The IOS can be said to be a set of investment opportunities that must be considered by company management in order to see the opportunities that exist and take advantage of them to improve the performance of the company in the future so that it will continue to grow and survive on an ongoing basis. Therefore, every manager must be able to make the right decisions and consider various existing aspects. And this IOS is closely related to performance, that is, sustainability in an organization or company. The IOS can be said to be a set of investment opportunities that must be considered by company management in order to see the opportunities that exist and take advantage of them to improve the performance of the company in the future so that it will continue to grow and survive sustainably. Therefore, every manager must be able to make the right decisions and consider various existing aspects. And this IOS is closely related to performance, that is, sustainability in an organization or company.

The reason for conducting this research is that the global economy has become very tight. The concept of a green economy, which has been launched for a long time, is slowly being implemented by companies, so that companies are required to adapt to the environment immediately. The environment referred to here is in the form of an economic, social, and cultural environment side by side. In addition, in Indonesia currently, many companies do not realize the importance of sustainability performance; therefore, this study will explain how important sustainability performance is and several things that can affect the sustainability of the company's performance itself.

Freeman (1984) states that stakeholders are groups or individuals who can impact the organization and or be influenced by the organization due to its activities. Ghozali and Chariri (2007) state that companies can benefit their stakeholders (creditors, shareholders, suppliers, customers, society, government, analysis, and various parties) so that companies are not entities that operate only for their own interests. The company will disclose information related to environmental, social, and economic performance to meet stakeholder expectations. This disclosure is useful for helping managers understand the stakeholder environment and effectively manage existing relationships within their company.

Effect of Public Ownership on Sustainability performance

Public accountability can be even more important when many parties own company shares because the wider community holds these companies. Therefore, a higher level of public accountability will require more involvement in socially or environmentally responsible activities (Ghazali, 2007). In addition, the spread of ownership in the presence of large public ownership results in supervision not only relying on certain groups, so that supervision of debt or debt becomes tighter.

Jian Chen (2001) states that pervasive ownership can play an important role in a company. The spread of ownership will be easy to monitor, and increase firm value. The spread of ownership means there is an incentive to collect information, monitor management, and reduce irregularities. Sánchez et al. (2011) in Puspita (2014) show that corporate governance will be more sensitive in responding to social problems when company ownership is more spread out, because social investors are more likely to interfere in the company's decision-making process. So the concentration of public ownership is thought to affect sustainability performance.

This hypothesis is supported by previous research by Isabel Lourenco and Manuel Castelo (2015) on the analysis of factors that influence

Sustainability of company performance regarding the influence of company size, leverage, profitability, growth options, public ownership, and international listing on the sustainability of company performance, which states that public ownership does not affect sustainability performance.

Public Ownership is share ownership owned by the public, which leads to stakeholders. Stakeholders are internal parties and external parties of the company, either directly related to the company or not. However, public ownership is share ownership that does not have a direct relationship with a company whose existence greatly influences and is influenced by the company if its ownership spreads widely. It is related to stakeholder theory and legitimacy theory that companies need to maintain stakeholder legitimacy and place them in a policy and decision-making framework to support the achievement of company goals, namely a company that is going concerned.

Based on the description of the research results above, a second hypothesis can be formulated.

H2: There is an influence between Public Ownership on Sustainability performance.

The Effect of Public Ownership on Sustainability performance

Public ownership is marked by company investment which is also an indicator of the company's sustainability performance. The higher the investment the company continues, the higher the public ownership the company experiences. This increased public ownership will further encourage companies to implement sustainability performance in the company. It also means, the more likely it is that the company will be able to incorporate the principles of sustainability into a competitive or competitive strategy. Public ownership will also affect each company's investment level in its research and development, which is also expected to be related to the sustainability of the company's performance (McWilliams and Siegel, 2000). This hypothesis is supported by previous research by Anitya Ardiyani Puspita and Daljono (2014) regarding the analysis of factors that affect the sustainability of company performance regarding the influence of company size, leverage, profitability, growth options, company commitment, public ownership, and company age on the sustainability of company performance. , which states that public ownership has a positive effect on sustainability performance.

Public ownership is the extent of investment opportunities or opportunities leading to stakeholders. Stakeholders are internal and external parties of the company, such as the government, foreign companies, surrounding communities, institutions outside the company (NGOs and the like), environmental organizations, company workers, and so on, whose existence greatly influences and is influenced by the company. It relates to stakeholder theory and legitimacy theory that companies need to maintain stakeholder legitimacy and place them in a policy and decision framework. Decisions, to support the achievement of company goals, namely business stability and going concerned.

Based on the description of the research results above, the first hypothesis can be formulated.

H1: There is an influence between public ownership on sustainability performance.

The Influence of Investment Opportunity Set Moderates the Influence of Growth Option and Public Ownership on Sustainability performance.

IOS is an investment opportunity value which is the present value of company choices to make investments in the future. Investment options are an opportunity to develop, but often companies are not always able to carry out all investment opportunities in the future. Companies that cannot take advantage of these investment opportunities will experience higher expenditures than the opportunities lost. In general, IOS describes the extent of investment opportunities for a company, but it is very dependent on the choice of company expenditure for the benefit of the future. This research supports the research of Septiandi Dwi Nugroho (2016) and Sinta Amelia Yusri (2019), which shows that a good IOS ratio analysis and decision making regarding existing investment set opportunities will greatly influence the progress and sustainability of the company in the future. Because opportunities are not used properly, they can be worse and more detrimental when compared to lost opportunities.

So the better the IOS ratio in a company, the better the sustainability performance of the company. This hypothesis is supported by research by Bart Manning, Geert Braam, and Daniel Remsbach (2019) on Corporate Governance and Sustainable Business Conduct Effects of Board Monitoring Effectiveness and Stakeholder Engagement on Corporate Sustainability Performance and Disclosure Choices. Stating that public ownership has a significant effect on the sustainability of company performance. Likewise, with research supported by Tracy Artiach, Darren Lee, David Nelson, et al. (2010) on The Determinants of Corporate Sustainability Performance. Again, stating that public ownership affects sustainability performance.

Public ownership, namely the extent of investment opportunities or opportunities. Public Ownership is ownership of shares owned by the public. Public ownership and public ownership are different things, each of which leads to the other stakeholders. Stakeholders are internal and external parties of the company, either directly or indirectly related to companies whose existence greatly influences and is influenced by the company. It is related to stakeholder theory and legitimacy theory that companies need to maintain stakeholder legitimacy and place them in a policy and decision-making framework to support the achievement of company goals, namely stability. Business and going concerned so that sustainability practices can continue to increase. Based on the description above, the first hypothesis of this study can be formulated, namely:

H3: IOS moderates the effect of public ownership on sustainability performance

H4: IOS moderates the effect of public ownership on sustainability performance

METHODS

The population in this study were manufacturing companies listed on the Indonesia Stock Exchange from 2015 to the end of 2019. The sample selection procedure in this study was to use the purposive sampling method. This method is carried out by taking the data selected by the researcher according to the special characteristics of the sample. A purposive sample is a carefully selected sample that is relevant to the research design; only 50 company data meets the criteria below. Therefore, the research sample was taken with the following criteria:

1. Manufacturing companies listed on the Indonesia Stock Exchange 2015-2019.
2. The company has been a member of the Indonesia Stock Exchange for at least 6 years, due to the research period of 5 years.
3. Companies that publish annual financial reports in rupiah currency in 2015 - 2019.
4. Manufacturing companies listed on the IDX that have complete research data related to annual reports and financial reports for the 2015 - 2019 observation period.

Sustainability performance measurement uses the Balanced Scorecard. The Balanced Scorecard is a strategic management system that describes the vision and strategy of a company into operational objectives and benchmarks. Balanced scorecard measurement in this study has six perspectives: financial perspective, customer perspective, internal business process perspective, learning and growth perspective, social perspective, and environmental perspective. Social and environmental perspectives are adopted from the Global Reporting Initiative (GRI), which is related to the research title, namely sustainability performance.

1. Financial perspective by measuring ROE, ROA, OI, EC, and TATO
2. Customer Perspective by measuring Acceptance from Customers
3. Internal Business Process Perspective by measuring Income from Operations
4. Learning and Growth Perspective measures employee efficiency
5. Environmental perspective by looking at environmental disclosures made by companies based on GRI standards with 8 indicators
6. Social Perspective by looking at the environmental disclosure by the company based on the GRI standard with 19 indicators

RESULT AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
PO	87	.05	1.00	.7000	.29875
GO	87	-2.70	82.44	8.4499	19,1984
SUSTAIN	87	30.71	70.71	51.39442	11,93344
IOS	87	-2.70	82.44	8.2628	18.23998
Valid N (listwise)	87				

Source: processed data 2021

The results of the descriptive analysis in table 1 show that the number of observations from the study was 87 observations by showing the minimum, maximum and mean, and standard deviation values.

Hypothesis Testing Results

The hypothetical test can be seen in table 2, which is a regression test conducted to test Public Ownership and Public Ownership of Sustainability performance by moderating the IOS

Table 2. Hypothesis Testing Results

Variable	Prediction	Coefficient	P-value
Public Ownership		-39,200	.002 ***
Growth Option		9,599	.079 ***
IOS		-11,941	.011 **
IOS * PO Moderation		10,221	.014 **
IOS * GO Moderation		-.099	.913
Durbin – Watson Stat Probability F statistic Adjusted R –squared Total Observations		2,198 0.0000 0.322 87	
*** Significant at the 1% level; ** Significant at the 5% level; * Significant at the 10% level. This table describes the results of each hypothesis test the variables studied.			

Source: processed data 2021

Effect of Public Ownership on Sustainability performance

Based on the research results obtained, the sig 0.002 test results can explain the influence of public ownership on changes in sustainability performance. The results of this study support Manning, et al.'s (2019) finding that public ownership has a significant effect on sustainability performance and supports Puspita's (2014) finding that public ownership and public ownership have a positive effect on sustainability performance. The greater the proportion of public share ownership, the more parties need information about the company, so that there are many items of information disclosed in the annual report. In addition, the bigger the shares owned by the public, the more information will be disclosed in the annual report. It is because investors want to obtain the widest possible information about where to invest and be able to supervise the activities of company management, so that interests in the company are fulfilled. *Public Ownership,* in general, can act as a party to monitor the company. Companies with large public ownership (more than 5%) indicate their ability to monitor company management.

Companies whose shares are owned by the public will carry out greater disclosure of social responsibility than companies whose shares are not controlled by the public, and companies that have long been established will have a greater social responsibility, due to the increasing trust of investors and the wider community. As a result, companies must provide detailed information to investors and the wider community, not only in the form of financial reports but also in the form of disclosures of social responsibility.

The Effect of Public Ownership on Sustainability performance

Based on the research results obtained, from the test results with a significance of 0.079, there is an effect of public ownership on sustainability performance. The statement is supported by previous research by Anita Ardiyani Puspita and Daljono (2014) regarding the analysis of factors that affect the sustainability of company performance regarding the influence of company size, leverage, profitability, growth options, company commitment, public ownership, and company age on the company's sustainability performance. Which states that public ownership has a positive effect on sustainability performance, company size has a positive effect on sustainability performance; profitability has a positive effect on sustainability performance, public ownership has a positive effect on sustainability performance,

From the presentation of these results that if the company has good public ownership, it will be increasingly considered by its stakeholders at large, giving rise to the legitimacy of each stakeholder where the company's organizational behavior must be able to carry out its business activities by having limitations based on norms, social values, and reactions to the existence of these limits to the environment both internally and externally to ensure that the operating activities carried out by the company can run well and sustainably. As a result, it can improve the practice of sustainability performance in the company.

Public Ownership and Public Ownership of Sustainability Performance with the Moderation of the IOS.

Based on the 0.014 significance test results, it means that the IOS can moderate the effect of Public Ownership on Sustainability performance. On the other hand, based on the results of the significance test of 0.913, it means that the IOS does not moderate the effect of the Growth Option on sustainability performance. Thus it can be concluded that the IOS conducted by management can affect the sustainability of the company's performance. IOS is an effort made by company management to see the value of investment opportunities, which is the present value of choices for the company to make investments in the future. Therefore, the company must be able to see the opportunities that exist and take advantage of them to advance and increase of assets and investment value owned in the future.

The results of this study are in line with research by Anggi Angga Resti (2018), which states that the IOS affects company performance. Because companies that have high IOS usually also need more funds to finance capital goods, and will try to find sources in the capital market. Companies do not want to be too inclined to depend o funding sources from banks when the value of the collateral is insufficient. Companies' efforts to get funds from the capital market must be supported by good accounting performance, so of course, the company must try to get through positive performance through good ROA to potential investors.

However, different things are proven by research conducted by Marinda et al. (2014) that the IOS does not have a significant effect on company performance, namely because adding the number of assets does not always affect financial performance so that it can cause funds owned by the company that has been used to increase company assets cannot be used for more effective company activities to improve the performance of the company. Thus, it can be concluded that the IOS affects the sustainability of the company's performance because the IOS influences the level of sustainability performance. That means, the higher the IOS of a company, the higher and better the company's sustainability performance will be.

CONCLUSION

This study aims to analyze the influence of public ownership and public ownership, and public ownership on sustainability performance by moderating the IOS in manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2015-2019. Referring to the results of research that has been done, the researcher gets the results from testing the hypothesis on all variables as follows:

1. Based on the results of the hypothesis test of the public ownership variable, which is proxied by public ownership (KSP), it is concluded that it does not affect sustainability performance. It is because it means to become a company that implements sustainability performance practices; the company does not depend on its public ownership.
2. Based on the hypothesis test results of the variable public ownership, which is proxied by the price-book value (PBV), it is concluded that the variable of public ownership has a significant positive effect on sustainability performance. It is because large public ownership can encourage companies to carry out the sustainable performance.
3. IOS can moderate the influence of Public Ownership on Sustainability performance. However, the IOS does not moderate the effect of public ownership on sustainability performance.

Researchers provide suggestions for further research.

1. Companies that are selected as the population and sample should be other than manufacturing companies to be used as a reference for generalizing all go public companies listed on the IDX.
2. The only factors that affect the sustainability of the company's performance in this study are growth options, public ownership, and the IOS, so it is necessary to add other variables to further strengthen the research results.
3. In presenting financial statements, companies only use the rupiah unit value.

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