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The Influence Of CSR And Political Connections On Company Performance By Moderating Governance Mechanisms

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Abstract. *This study aims to determine and analyze the influence of sustainability reporting practices and the quality of CSR disclosures as well as political connections to company performance, either directly or indirectly, by involving governance mechanisms as mediators. This study uses secondary data on banking companies listed on the Indonesia Stock Exchange from 2013 to 2021. The sample selection method uses a purposive sampling method with several criteria to produce 383 observations. The analysis technique used is simple and multiple linear regression analysis using STATA 12 application and Sobel test for mediation test. The results of this study provide empirical evidence that the practice of reporting on the sustainability of banking companies cannot improve the company's performance, this is because banks have not fully prepared sustainability reports and used insurance services, while the quality of CSR disclosure and political connections can improve company performance. The results also show that the practice of sustainability reporting and the quality of CSR disclosure as well as political connections can improve company performance through governance mechanisms.*

Keywords: CSR, sustainability, political connections, governance mechanisms.

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Introduction

Banking is a driving force for a country's economy. Companies can improve financial performance and sustainability by using stand-alone *Corporate Social Responsibility (*CSR) reports (Kurniansyah et al., 2021). Companies can disclose information about CSR in an annual report or a standalone SR (Sustainability Report) (Liu et al., 2021). Banking as an intermediary institution to receive and redistribute public funds has ethical, social and environmental responsibilities, so banks are required to implement sustainable financial reports in accordance with Peraturan Otoritas Jasa Keuangan (POJK) No. 51/POJK.03/2017 and strengthened by POJK No. 16/SEOJK. 04/2021. Stakeholder theory assumes that companies are not only responsible to shareholders, but also must be responsible to the community in their environment. Stakeholder theory used in companies discloses social and environmental information as a tool to maintain relationships with stakeholders (Abhilash, 2021). Political connection is a company strategy to take advantage of opportunities in the business environment (Dewiruna et al., 2020). The results of research on the effect of political connections on company performance found different results (Vidyarthi, 2019) saying companies that have political connections often receive low-interest loans from state banks, receive bailouts in times of financial difficulty (Elavarasan et al., 2021), and have access to better credit (Hung et al., 2017) Politically connected firms have a lower cost of capital (Sumingtio et al., 2022)and better financial performance (Saeed et al., 2019)than firms without political connections. Political connections also make it easier for companies to obtain projects, especially projects from the government (Tjahjadi et al., 2021), pay less taxes (Bassier & Woolard, 2021), and get smaller. the possibility of the company being sanctioned by the regulator (Christensen et al., 2021). According to agency theory, politically connected boards channel resources from companies for their benefit (Habib et al., 2017) and politically connected companies are found to have different performances than unconnected companies (Hu & Xu, 2019). The company's performance is not only influenced by environmental disclosure but also influenced by governance mechanisms (Aisyahadani & Kiswara, 2023). The implementation of governance mechanisms can regulate and control the company so as to create added value for all stakeholders, as well as provide progress on the company's performance. By implementing governance mechanisms, companies can organize and manage companies so that company value will increase. With corporate governance, it is expected that the concept of CSR can be done well so that the achievement of company goals with politically connected management will be able to improve company performance.

In BI Regulation No. 14/15/PBI/2012, namely concerning the Asset Quality Assessment of Commercial Banks in 2012 issued by Bank Indonesia, it includes the obligation of national banks to consider environmental feasibility factors in evaluating a business, its prospects and impact on the environment (Sadiq et al., 2022). Banking has an important role in terms of lending to customers, so indirectly the bank will be involved if the bank does not do its job properly. Therefore, before providing a loan, the bank has the responsibility to be able to properly evaluate whether the project is an environmentally friendly project or not, because it will all have an impact on the bank's performance in selecting customers.

Literature Review (Theoretical Framework)

Stakeholder Theory

Stakeholder is Theory any individual or group that affects and or is affected by the impact of the company's activities (Bătae et al., 2021; Luo & Tang, 2021). Stakeholder theory explains that companies are not only responsible to shareholders, but are also responsible to various groups in society, because the behavior and decisions made affect the welfare of the community (Venturelli et al., 2021).

Agency Theory

Agency theory explains the relationship between principal and agent, the relationship is based on the separation of ownership and management within the company (Qadir et al., 2020). CSR in terms of agency theory is a company strategy in conflict resolution against agency problems (Liu & Tian, 2021).

Legitimacy Theory

Legitimacy theory explains that to guarantee and maintain alignments (legitimacy) both internally and externally, companies need to guarantee the existence and goals of the company against stakeholder expectations (Saraswati et al., 2021). Companies always try to align themselves with the norms that exist in society and anticipate the occurrence of legitimacy gaps (Nasih et al., 2020). Legitimacy theory explains that companies always try to convince the public that they work according to the rules that apply in the community or area where the company operates to prove to the community that their actions are responded well by external partie. If the company discloses its social responsibility, the company believes that their existence and activities will gain the trust of the people or the area where the company is located. In other words, the company is called legitimized (Ali et al., 2021).

Research Hypothesis Development

The Influence of Sustainability Reporting Practices on Company Performance.

Cho et al. (2019) stated that companies can increase their accountability by using stand-alone sustainability reports. Sustainability reporting has emerged as a new trend in corporate reporting and embedding corporate financial, environmental and social performance into one report (Paulson et al., 2021). Sustainability reports can improve company performance, thereby increasing earnings and share prices (Raj et al., 2020). Poluan et al. (2019) in their research proves that the higher the extent of disclosure will result in a decrease in the misjudgment of the company's stock price, which further improves the company's performance. Legitimacy theory views sustainability reports as efforts and even corporate strategies to bring the company closer to its stakeholders (Luo & Tang, 2021). Companies that gain legitimacy through the practice of sustainability reporting are more attractive to investors. Based on the research that has been disclosed and the theory used in this study, the hypotheses in this study are:
H1: Sustainability reporting practices have a positive effect on company performance

The influence of the quality of CSR disclosure on company performance

Amran et al. (2014) who found that CSR disclosure had a positive effect on the company's financial performance. Wati et al. (2020) describes the strategy of communicating CSR through social disclosure in the annual report. Disclosure of social responsibility in the annual report is a powerful tool to reduce the impact of events that lead to an unfavorable perception of the company. Legitimacy theory is widely used in analyzing the relationship between CSR and company financial performance (Ariesanti et al., 2019; Bacha et al., 2021; Raza et al., 2021). Based on the previous research above, we are in developing the hypothesis as follows:
H2: The quality of CSR disclosure has a positive effect on company performance

The Influence Of Political Connections On Company Performance

Lock & Scheper-Hughes (2021)political relations provide easy loans to the government and have the impact of influencing government policies so as to improve company performance. Abhilash (2021) the politically connected board of commissioners still makes a positive contribution to the company despite its position as an independent board of commissioners. Based on the

results of research on political connections, the researcher can take the following hypothesis:
H3: Political connection has a positive effect on company performance

Governance Mechanisms Strengthen The Relationship Between Sustainability Reporting Practices And Company Performance

The implementation of Corporate Social Responsibility Disclosure (CSRD) can be disclosed by the company in the form of the company's Annual Report which contains CSR reports for a period of one year. The more CSR activities disclosed by the company, the value of the company will increase because the market will give a positive appreciation to companies that carry out CSR as indicated by an increase in the company's stock price. Investors appreciate CSR practices and see CSR activities as a guideline to assess the sustainability potential of a company. Therefore, in making investment decisions, many investors pay enough attention to CSR disclosed by the company. From the results of the research that has been done, the hypotheses taken are:
H4: Governance mechanisms strengthen the relationship of sustainability reporting practices to the Company's performance.

Governance Mechanisms Strengthen The Relationship Between The Quality Of CSR Disclosure And Company Performance.

Kristanto (2019) provide evidence that institutional ownership and firm performance (Tobin's Q) have a significant relationship. When viewed from the aspect of managerial ownership, several studies show that managerial ownership has an effect on company performance (Horn et al., 2018) the higher the insider ownership, the higher the company's performance. The results of research (Kristanto, 2019; Yeasmin et al., 2020) show that institutional ownership in a large proportion also affects company performance. By looking at the results of previous studies, the hypotheses taken are:
H5: Governance mechanisms strengthen the relationship between the quality of CSR disclosure and company performance.

Governance Mechanisms Strengthen Political Connections To Company Performance.

Manage Companies with political connections use their proximity to politicians and the state apparatus to gain benefits and avoid possible penalties from expropriation and poor management. (Sumingtio et al., 2022) also mention that in some cases political connections can actually increase supervision within the company. Saraswati et al., (2020) stated that companies with political connections tend to be more monitored by the government. The existence of more extensive supervision will make companies with political

connections tend to avoid risky activities and expropriation and improve the quality of company management. The results of previous studies reveal that political connections affect the value of the company through the governance structure. So the hypothesis taken is:
H6: Governance mechanisms strengthen political connections to company performance.

Research Method

Dependent Variable.

Tobin's Q calculation based on market value has the advantage that it will provide a more accurate picture of future operational status to measure the performance of market-based companies (Kristanto, 2019). In research related to the context of corporate governance, the most widely used market-based company performance measurement is Tobin . Tobin's Q is formulated as follows:

$$\text{Tobin } Q = \frac{EMV+DEBT}{TA}$$

Independent variable

a. Sustainability reporting practices

The indicators used to measure sustainability reporting practices are:

Stand-alone sustainability report.

Saraswati et al. (2023)explain that the sustainability report is a separate non-financial report from the financial report. Stand-alone CSR Reporting Is the release of a stand-alone report by company i in period t, is a dummy variable with a value of 1 if the company releases a stand-alone CSR report, and a value of 0 if the CSR information disclosed is incorporated in the annual report (Wong & Zhang, 2022)

Application of GRI

The firm's emphasis on the role of GRI guidelines has been confirmed by recent research (Nugroho & Kurnia, 2021). The implementation of GRI is calculated with a dummy, which is worth 1 if the CSR report has a GRI adoption statement and 0 if it does not (Tsalis et al., 2020) then divided by the GRI standard.
GRI = Number of Disclosure Items / Number of GRI Standards

Assurance of CSR information

External assurance is calculated with a dummy if the sustainability report is checked by Assurance then it is given a value of I and if it is not equipped with an Assurance statement it is given a value of 0 (Adaui, 2020)

Calculating sustainability reporting practices To avoid a scale effect (so that each index ranges between 0 and 1), and then calculated using a simple arithmetic mean (Cheng et al., 2021)as follows:

$$sustainability\ reporting\ practices\ _{it} = \frac{SR + GRI + Assurance}{3}$$

b. CSR disclosure quality

The quality of CSR disclosure is a standard or cliché statement (boilerplate approach) regarding general expectations regarding CSR plans, contexts, policies and programs and communicates the goals and objectives that the company wants to achieve along with information about the results and achievements of the company's actions that meet stakeholders (Andayani & Daud, 2020).

The indicators used to measure the quality of CSR disclosure are as follows:

Relative Quantity Index

The relative quantity index is a number that describes the relative change to price, quantity or value compared to the base year. The relative quantity index was calculated using the standard residual from the OLS disclosure regression model with the size and average of the industry's disclosures as independent variables.

$$Disc_i = \beta_0 + \sum_{j=1}^{k} \beta_j IND_j + \beta_{k+1} SIZE_i$$

Then the relative quantity index is calculated using the Relative Quantity Index:

$$index\ RQT_{it} = Disc_{it} - \widehat{Disc}_{it}$$

In the equation, RQTit is the relative quantity index for firm i in year t. Discit is the level of information disclosure of company i in year t and is the estimated level of information disclosure of company I in year t.

Density Index

The density index is an index that describes the density of CSR disclosures in reports made by companies (Sharma et al., 2021). The Density Index (DEN) is calculated by calculating CSR information as the ratio between the number of sentences of CSR information presented compared to the total number of sentences contained in a stand-alone CSR report or CSR section of the annual report. The ratio varies from 0 to 1. The following is the equation Density Index or Density of CSR reporting (Melchiorri et al., 2019)

$$index\ DEN\ it = \frac{1}{k\ it} \sum_{j=1}^{k\ it} CSR\ ijt$$

Accuracy Index

The accuracy index is an index that measures the accuracy of CSR information presented in the company's CSR disclosures . The accuracy index is measured using the Information Accuracy Index (ACC). ACC is determined as the ratio between the sum of the weighted values of all sentences containing CSR information to the number of CSR sentences in the CSR report. The information used in CSR disclosure is calculated as the ratio between the total weighted value of all sentences containing CSR information compared to the number of CSR sentences contained in the research report by giving 3 points for monetary information disclosure, 2 points for non-monetary quantitative information and 1 point for qualitative disclosure. The information accuracy index that calculates the accuracy of reporting uses the formula from (Saraswati, et al., 2021):

$$index\ ACC\ it = \frac{1}{n_{it}} \sum_{j=1}^{n_{it}} (w + csr_{ijt})$$

Managerial Orientation Index

The managerial orientation index (MAN) is a process and activity related to managers in an effort to satisfy stakeholders by improving company performance through the company's vision and mission as well as company goals and objectives. The managerial orientation index (MAN) is determined by using the Managerial orientation calculation method used by (Saraswati, et al., 2021) research, namely:

$$index\ MAN_{it} = \frac{1}{n_{it}} \sum_{j=1}^{n_{it}} (OBJ_{ijt} + RES_{ijt})$$

To calculate the quality standard of CSR disclosure to avoid the effect of scale (so that each index ranges between 0 and 1), the calculation from (Dias et al., 2017) is used using a simple arithmetic mean as follows:

$$KCSR_{\ it} = \frac{RQT_{it} + DEN_{it} + \ ACC_{it} + MAN_{it}}{4}$$

c.Political Connection

Political connection or political relationship is defined as a situation where in a company there are politicians or close relatives or close friends of politicians with good positions as directors, commissioners, shareholders. Tao et al. (2017) used a hierarchy of positions consisting of nine levels so that the score for political connections ranged from a score of 0 (no political connection) to a score of 9 (the highest level as minister). Referring to Tao et al. (2017) this study uses a structural hierarchy of government positions in Indonesia. The scoring will be distinguished between politically connected company personnel who are (still) serving during the research period and those who

are no longer in office (former). Politically connected personnel who are still active are scored higher than those who are not. Furthermore, the political connection index (PCI) owned by a company will be calculated with the natural logarithm LN(PCI)=LN(1+PCI). connection (Tao et al., 2017).

Governance mechanism moderating variables

The mechanism of corporate governance in this research refers to the circular letter of the Financial Services Authority number 32 / SEOJK.04 / 2015 regarding the governance of public companies, with 8 principles with 25 items contained in the circular letter. This study uses corporate governance analysis from previous research by Dara et al. (2019).

Control Variable

Public ownership

Esita & Yanto (2016) stated that public share ownership has a negative effect on the disclosure of social and environmental responsibilities. Meanwhile, according to Erviana et al. (2018), it is stated that public share ownership has a significant positive effect on CSR disclosure.

Leverage (LEV)

Jian and Wong (2003) and Bona-Sanchez et al. (2017) prove that the level of leverage has a positive effect on company performance. In contrast, Cheung et al. (2009), Habib et al. (2017), and Chen et al. (2009) found that the higher the company's leverage, the lower its performance. This study uses leverage as a control variable as measured by total liabilities divided by total assets (Michelon, et.al 2015).

SIZE

Wong et al. (2015), Habib et al. (2017), and Bona-Sanchez et al. (2017) found that firm size had an impact on lowering firm performance. In contrast, Dunnas et al. (2020)prove that the larger the size of the company, the better the performance. This study uses firm size as a control variable which is measured using the natural log of market capitalization.

Data Types and Sources

This type of research data is secondary data consisting of the company's annual report, the company's stock market price, and information on the board of directors, board of commissioners and corporate governance. Research data was obtained through www.idx.co.id for company annual reports and company stock market prices, as well as other related sites to verify the political connections of the board of commissioners and directors.

Population and Sample

The population of this study are all banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2013 – 2021. The research sample was determined according to Purposive Sampling based on the criteria considered (Judgement) as follows:

1. Banking sector companies listed on the Indonesia Stock Exchange from 2013 to 2021 and publishes corporate sustainability reports
2. Companies that have year-end closing stock prices.

Data analysis method

Hypothesis test

In the implementation of data analysis using regression analysis with the help of the Stata 12 program. The purpose of using regression analysis is to show the effect and test the relationship between the independent variable on the dependent variable and the effect of the moderating variable (strengthening / weakening) on the relationship of the independent variable to the dependent variable.

So that the regression equation model used in this study is as follows:

1. Testing hypotheses 1, 2 and 3 by looking at the relationship of each variable as follows:

Tobin Q = 1 + 1SR+ 2CSR + 3PCI + 4PO+β5LV + 6SIZE +e

2. Hypothesis testing with moderating variables, namely:

Moderated Regression Analysis (MRA) or interaction test is a special application of linear multiple regression where the regression equation contains elements of interaction (multiplication of two or more independent variables) (Liana, 2009).

Tobin Q = 1 + 1SR+ 3MT + 2CSR + 3PCI + 4Mt + 5(SR*MT) + 6(CSR*MT)+ β7(PCI*MT)+ β8PO+β9LV + β10SIZE+ e

Results And Discussion.

Result

From the results of data analysis, the value of the company calculated using tobin q has an average value during the research year of 1.073422, which means that the company's value is good because it is above the value of 1. The average SR value is 0.410908, which means that 41 percent of banks have used sustainability reports well. The average CSR value of 0.3680489 means that 37 percent of companies have spent funds for CSR purposes. The average political connection is 2.361193, which means that as much as 2.4 percent of managerial banking is connected to politics. The average governance mechanism is 0.9488506, which means that almost 95 percent of banks have complied with the governance rules set by the government. The relationship governance mechanism as moderation to the Sustainability Report averages 0.3937845 which means that almost 39 percent of corporate governance affects the company's value with sustainability reports. The relationship governance mechanism as a moderation to CSR averages 0.3470661, which means that almost 35 percent of corporate governance affects the value of the company by spending funds on CSR. The relationship governance mechanism as moderation to political connections averages 2.228491, which means that almost 2 percent of corporate governance affects the value of the company with politically connected management.

Table 1. Statistic Descriptive

Variable	Average	Deviasi standar	Min	Max
TobinQ	1.073422	0.1646003	0.798	1.599
SR	0.410908	0.283659	0.095	0.995
CSR	0.3680489	0.1158837	0.093	0.75
PCI	2.361193	1.040006	0	4.369
MTK	0.9488506	0.0634807	0.68	1
MSR	0.3937845	0.2779986	0.077	0.995
MCSR	0.3470661	0.1120335	0.089	0.75
MPCI	2.228491	1.0131733	0	4.369
PO	20.83108	15.9198	0.287	70
Leverage	0.830977	0.0882708	0.041	1.044

The results of the multicollinearity test show that there is no variable that has a value > 10 so that there is no multicollinearity between the independent variables. Autocorrelation Test show that The D value that describes the Durbin-Watson (DW) coefficient for all hypothesis testing shows the d value is between 4-DU and 4-DL so it can be concluded that the linear regression model is free from correlation between the residuals of one observation and the residuals of other observations or there is no problem autocorrelation (Winarno, 2015).

Heteroscedasticity test is used to test whether the regression model has residual variance inequality from one observation to another (Ghozali, 2012). From the results of the heteroscedasticity test on the model, it can be seen that the prob value is 0.0000 so that, it indicates there is no heteroscedasticity problem because the parameter coefficients for each independent variable are not significant (p > 0.05) (Winarno, 2015).

Research model testing

The F statistical test is used to see how much influence simultaneously or jointly all independent variables on the dependent variable. In the direct test, the researcher regressed the independent variable to the dependent variable. The results of the F test for direct testing show a probability value of 0.000000 which has a value of <0.05 so it is said to be significant. This shows that simultaneously the variables of sustainability reporting practices, quality of CSR disclosure and political connections to company performance as well as the governance mechanism variable are moderating variables.

The coefficient of determination is used to determine the extent to which the independent variables in a model are able to explain the variation of the dependent variable Ghozali (2009). The first model has an R2 value of 0.211, this indicates that sustainability reporting practices, CSR disclosure quality and political connections and control variables are able to explain 21 % changes in the company's performance while 79% is explained by other variables outside of direct testing. The second model which adds a moderating variable shows an R2 value of 0.275, this indicates that sustainability reporting practices, quality of CSR disclosure, political connections and control variables as well as governance mechanism variables as moderating variables are able to explain 28% changes in company performance while 72% are explained by other variables outside of testing with moderating variables.

Table 2. T-Statistic Test

Variable	Coefficient	T	Probability	Description
(Constant)	-0.106	4.86	0.000	
SR	-0.192	-0.85	0.394	Hypothesis 1 rejected
CSR	0.172	2.96	0.004	Hypothesis 2 accepted
PCI	0 .028	1.89	0.066*	Hypothesis 3 accepted
MTK	0.398	1.91	0.085*	
MTKSR	1.771	2.82	0.005***	Hypothesis 4 accepted
MTKCSR	.817	2.23	0.045**	Hypothesis 5 accepted
MTKPCI	.939	2.74	0.033**	Hypothesis 6 accepted
PO	-0.002	1.81	0.071*	
LEVERAGE	0.232	-2.99	0.003***	
SIZE	0.034	-2.67	0.004***	
*** signification : 1 % ** signification : 5 % * signification : 10 %				

The Effect Of Sustainability Reporting Practices On Company Performance

From the regression results, the practice of sustainability reporting cannot improve the company's performance, in accordance with the legitimacy theory which states that when the company's performance is high, it is not necessary to disclose things that interfere with the success of financial reports for company sustainability (Pérez & Lopez-Gutierrez, 2017) . In terms of legitimacy theory, banks can give trust to the public by providing disclosures as a more committed commitment to the implementation of CSR, information on sustainability reports is expected to increase stock prices but sustainability reports that are not in accordance with GRI standards and only report CSR activities without explaining the vision and mission of the sustainability report will also negatively affect the decline in stock prices because CSR funds are taken from the company which results in a decrease in dividends distributed to investors. When a company publishes an incomplete sustainability report and does not involve assurance services, it results in disclosure of information that is not in accordance with GRI expectations and standards, it will lead to ignorance of investors and the public about the impact of the sustainability report on the environment, social and economy. So that the sustainability report that is made will not have an influence in improving the company's performance. The results of this study state that the practice of sustainability reporting is not able to improve company performance because there are still many banks that have not made independent sustainability reports, and have not met GRI standards and involve assurance services. which revealed that companies that voluntarily disclose sustainability information but only symbolically affect company performance.

The Influence Of The Quality Of CSR Disclosure On Company Performance

CSR disclosure for investors as additional information helps provide a better picture of the company's future prospects. The more disclosure of CSR information provided by the company, the better investors will be in determining stock prices. The quality of CSR reporting affects the performance of banking companies, this is because banks are required to disclose sustainability reports, whether they are incorporated into the company's annual report or independent sustainability reports in accordance with the Financial Services Authority Regulation Number 51/Pojk.03/2017.

The influence of political connections on company performance

This study shows that political connections can provide benefits as well as costs for bank companies in Indonesia. The political connections owned by the company are used to achieve convenience in government affairs (Facio, 2006). The use of political connections owned by the board of commissioners and the board of directors can provide benefits that can be used as a way to improve company performance (Purwanto, 2011). In accordance with stakeholder theory, politicians in the government have a large share in determining the level of protection of shareholders and stakeholders through policies and regulations implemented by the government (Ang et al., 2013). The use of political connections owned by the board of commissioners and the board of directors can provide benefits that can be used as a way to increase stock prices so that the company's performance is getting better. This is in accordance with research conducted by (Hąbek & Wolniak, 2016; Hung et al., 2017) banks that have political connections enable banks to increase loan interest because they are expected to have higher market power. in funding and boosting its performance.

The effect of sustainability reporting practices on company performance through governance mechanisms.

From the test results, the governance mechanism strengthens the relationship between governance reporting practices and company performance, so the fourth hypothesis which says that the governance mechanism strengthens the relationship between sustainability reporting practices is acceptable.

The Influence Of The Quality Of CSR Disclosure On Company Performance Through Governance Mechanisms

The governance mechanism also strengthens the relationship between CSR disclosure quality and company performance, so the fifth hypothesis which says that the governance mechanism strengthens the relationship between CSR disclosure quality and company performance is accepted.

The Influence Of Political Connections On Company Performance Through Governance Mechanisms

Governance mechanisms strengthen the relationship between political connections and firm performance variables, so the sixth hypothesis which says that governance mechanisms strengthen the relationship between political connections and firm performance is accepted.

Discussion

The practice of sustainability reporting in Indonesia is currently only used symbolically, it has not been fully carried out by banks so that the role of the sustainability report itself has not been seen in attracting investors so that increasing stock prices will then improve banking performance. Sustainability reporting practices in developing countries have not been able to increase investor interest in investing their money in companies, people still see financial statements and company profits as a benchmark for bank performance. This is because in a country with developing economic conditions, investors can easily obtain excess returns.

The quality of CSR disclosure is a report that expresses the bank's commitment to contribute to sustainable development which is disclosed in the economic, social, and environmental scope. CSR disclosure provides broader information when compared to financial statements that only show economic performance. CSR disclosure can show the company's ability to carry out operational activities by paying attention to social and environmental aspects. The impact of operational activities, both positive and negative, is disclosed to stakeholders through CSR disclosure. CSR disclosure is carried out by the managerial side as a promotion of the bank.

Political connections have an influence on banking companies on company performance. Politically connected boards of commissioners and directors tend to use their connections to fund their political activities. Political influence in the company enters through political connections, namely political people or those who are connected with politics within the company. The existence of political connections in the company shows that entrepreneurs and company leaders in developing countries such as Indonesia, with high levels of corruption, still strongly believe that political connections provide various facilities to achieve company goals, so as to improve banking performance.

Governance mechanisms strengthen the relationship of sustainability reporting practices to company performance. From the perspective of agency theory, the presence of independent commissioners in the board of commissioners has the function of reducing conflicts of interest that exist between shareholders and company management, because their role is to independently monitor increasing objectivity, independence on the board, thus leading to minimization of agency costs.

The quality of good CSR disclosure is also inseparable from the role of governance. The relationship with stakeholder theory is that the quality of CSR disclosure makes information about environmental activities so that it can improve company performance in the eyes of its stakeholders. Management's commitment to improve performance and obtain positive assessments from

company shareholders for the benefit of managers and owners. The quality of CSR disclosure about the environment for managers is a promotional strategy to attract investors so that it will raise the company's image in the eyes of the public, so that the company's performance will also look good.

Independent commissioners must represent the interests of stakeholders, it is expected that they will have more influence on reporting sustainability reports related to environmental performance information. The existence of a positive relationship between the number of independent commissioners and the level of sustainability reporting with good governance will make managers make good sustainability reporting practices according to GRI standards and use assurance services which will ultimately improve company performance.

There are several reasons that might explain why companies with political connections with governance roles make companies perform better. This is because firstly, politicians only choose companies with the best performance as a place to work to protect their reputation; second, politicians usually have an outsider point of view who can provide an independent view of the company which can have a positive impact on performance, third, political connections can provide easier access to financing from loans, lower tax rates, contracts with companies, or reduce regulatory requirements, so that much of corporate governance is connected with politics.

Conclusion

Based on the results of testing and analysis that have been carried out, it can be concluded that there are still many sustainability reporting practices that are not in accordance with GRI adoption and have not used assurance so that it does not affect company performance. CSR activities reflect the quality of the environment for the community so that banking performance increases. Political connections can improve company performance because politically connected companies will have ease in governance.

Governance mechanisms affect financial performance. Governance mechanisms capable of strengthening and improving sustainability reporting practices, the quality of CSR disclosures and political connections will also improve company performance. This research is in accordance with stakeholder theory where corporate governance will play a role in the interests of investors, also in accordance with agency theory when viewed from political connected governance relationships. The limitations of this study are caused by the use of Tobin's performance so that not all banks in Indonesia can be used as research samples. Suggestions for future researchers can use financial performance so that they can see all the performance of banks in Indonesia.

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