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The Moderating Role Of Firm Size In The Relationship Between Sustainability Reporting, Liquidity, And Financial Performance: Evidence From Indonesian Regional Development Banks

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Abstract

The financial performance of Regional Development Banks (BPD) is influenced by internal and external factors that reflect their commitment to sustainability and asset management stability. This study aims to analyze the effect of Sustainability Reports and liquidity on financial performance, with firm size as a moderating variable. A quantitative approach was used, with panel data regression and Moderated Regression Analysis (MRA) methods, implemented in EViews, on the 15 largest asset BPDs in Indonesia during the 2022–2024 period. The results show that Sustainability Reports have a positive and significant effect on financial performance, while liquidity has no significant effect. In addition, firm size is proven to moderate the relationship between Sustainability Reports and financial performance with a negative effect, but does not moderate the relationship between liquidity and financial performance. These findings underscore the importance of optimizing sustainability reporting strategies and resource management within regional development banks to support sustainable financial performance.

KEYWORDS: ***Sustainability Report, Liquidity,Firm Size*, Financial Performance, Moderated Regression Analysis (MRA)**

INTRODUCTION

Regional Development Banks (BPD) are financial institutions that play a strategic role in supporting regional economic development through intermediation and equitable access to finance. BPDs contribute to strengthening regional economic growth by

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providing productive credit and supporting regional development projects. However, in recent years, BPDs have faced challenges in increasing competitiveness, transparency, and accountability amid increasingly complex and competitive banking business environments.

The Indonesian government, through the Financial Services Authority (OJK), has issued regulations on the implementation of sustainable finance that encourage banking institutions to integrate environmental, social, and governance (ESG) aspects into their business activities. The implementation of sustainability reporting is expected to not only increase legitimacy and public trust but also contribute to improved financial performance through operational efficiency, risk management, and corporate reputation. However, empirical evidence in the banking sector, particularly regional development banks (BPD), shows mixed results, requiring further study.

On the other hand, liquidity as an indicator of a bank's ability to meet short-term obligations is a crucial factor for operational sustainability and depositor confidence. However, an increase in liquidity does not always reflect an increase in profitability, especially when liquid funds are not optimally managed in lending or productive investment activities.

Furthermore, firm size is an important aspect that can affect the consistency and effectiveness of sustainability reporting implementation. Companies with larger assets have more adequate resources to develop and implement sustainability reporting. However, the high implementation costs and operational complexity of large companies can reduce the short-term benefits of sustainability practices on profitability. This indicates the possibility of a moderating role of firm size that is not always positive.

In addition, previous studies examining the relationship between sustainability reports, liquidity, and financial performance have been limited to the context of national commercial banks and the banking sector in developed countries. There are still very few empirical studies specifically examining regional development banks in Indonesia, especially those involving firm size as a moderating variable that can strengthen or weaken the influence of the main variables on financial performance.

Based on this phenomenon, this study aims to analyze the effect of Sustainability Reports and liquidity on financial performance, as well as to examine the moderating role of firm size in this relationship among the 15 largest regional development banks in Indonesia that have implemented sustainability reporting. This study is expected to provide the latest empirical evidence regarding the effectiveness of implementing

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sustainability reporting in the regional banking sector, as well as provide strategic recommendations in supporting government policies on sustainable finance.

Regional Development Banks (BPD) have a very strategic contribution in accelerating the process of improving and managing the economy at the regional level. The function of BPDs is not only limited to acting as financial intermediaries that distribute capital from those with surplus capital to those in need, but also proactively facilitating and accelerating the successful implementation of various policies and development programs designed by the government, both at the regional and national levels. Through this dual role, BPD contributes to strengthening the regional economic foundation, increasing local competitiveness, and expanding public access to inclusive financial services as part of efforts to achieve equitable and sustainable economic growth (Aristanto, 2019).

LITERATURE REVIEW

According to stakeholder theory (Shawat et al., 2024), corporate responsibility is not limited to internal interests alone, but also includes various external parties such as employees, consumers, suppliers, creditors, and the general public. Legitimacy, as the collective recognition of stakeholders that a company's operations are in line with social norms and expectations, will encourage improved financial performance, making sustainability reports a strategic tool for demonstrating a company's commitment to the environment, social responsibility, and transparent governance (Farhan et al., 2023). Sustainability reporting practices aim to provide a more holistic view of a company's impact and responsibilities to various stakeholders (Global Reporting Initiative, 2025). A commonly used reporting framework is the Global Reporting Initiative (GRI) Standards, which provide structured standards for communicating various aspects of sustainability.

Liquidity refers to a business's capacity to operate with current assets available to pay short-term debts when they fall due (Brigham & Houston, 2019). Effective liquidity management is crucial for the company's operational continuity and to avoid the risk of bankruptcy (Gitman et al., 2015).

Firm size refers to a fundamental attribute that can influence various characteristics and performance of an organization (Penrose, 2009). Firm size is generally measured using various metrics, such as total assets, sales revenue, number of employees, or market capitalization (Czarnitzki & Hottenrott, 2011).

Financial performance describes the financial health and operational efficiency of an entity over a certain period of time (Brigham & Houston, 2019). Stakeholders can use

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financial performance analysis to assess the extent to which a company's performance is able to generate money, manage its assets and liabilities, and meet its financial obligations. (Ross et al., 2019). Financial performance can be assessed using various financial ratios, which are classified into groups such as profitability ratios. These ratios specifically evaluate the capacity to generate profits, including metrics such as Return on Assets (ROA) and Return on Equity (ROE).

Based on a literature review, most previous studies have discussed the effect of sustainability reporting on financial performance, with some of them involving firm size as a moderating variable. However, there is still limited research that simultaneously integrates the variables of sustainability reporting and liquidity in influencing financial performance, especially in relation to Regional Development Banks (BPD). A study conducted by (Shawat et al., 2024) shows that sustainability reporting affects financial performance with firm size as a moderator in the MENA region.

Based on the background and originality of the research described above, the researchers can propose the following research questions in the study entitled The Effect of *Sustainability Reporting* and *Liquidity* on *Financial Performance* with *Firm Size* as a Moderating Variable (A Study of 15 Regional Development Banks with the Largest Assets that Implement *Sustainability Reporting*):

H1: How does sustainability reporting affect financial performance?

H2: How does liquidity affect financial performance?

H3: Does firm size moderate the effect of sustainability reports on financial performance?

H4: Does firm size moderate the effect of liquidity on financial performance?

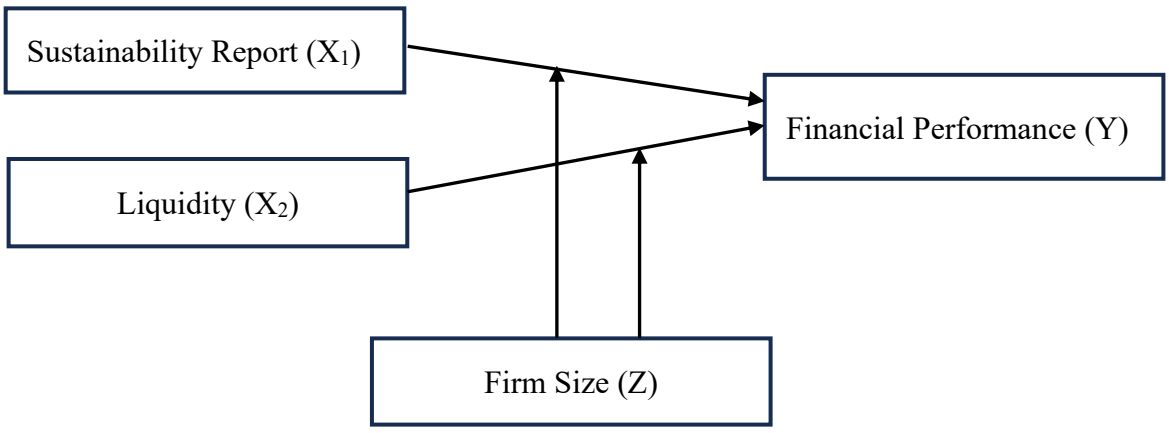


Figure 1 Research Framework

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RESEARCH METHODOLOGY

The methodology implemented in this study is quantitative. Quantitative research is an approach to testing objective theories by examining the relationship between variables or comparisons between groups. Quantitative research is a form of research used to answer predetermined hypotheses, and at the end of each section of the survey and experimental design, there is a discussion on how to interpret and write the results (Creswell, 2023). A causality (cause-and-effect) approach was used in this study because it aimed to determine the extent of the influence of independent variables (sustainability reporting and liquidity) on dependent variables (financial performance). while the associative approach is used because this study will also look at the moderating relationship of firm size on the correlation between each independent factor and the dependent factor (Sugiyono, 2013).

All 26 Regional Development Banks in Indonesia will be the population used in this study. Meanwhile, the type of sampling used in this study is *purposive sampling*. According to (Sekaran & Bougie, 2016), *purposive sampling* is a non-probability sampling technique in which the required information is obtained from specific or special objects or groups of people based on rational grounds. The operational definitions used in this study are presented in Table 1

Table 1. Operationalization of Variables

Variable	Indicator/Proxy	Formula
Financial Performance (Y)	*Return on equity* (ROE) Source: Shawat et al. (2024)	$ROE = \frac{Net\ Income}{Total\ Equity}$
Sustainability Report (X1)	*GRI Score* Source: Retnosari et al. (2024)	$\frac{GRI\ Aspect\ Score\ Total}{Number\ of\ GRI\ Aspect\ Item}$
Liquidity (X2)	*Current Ratio* (CR) Source: Shawat et al. (2024)	$\frac{Current\ Assets}{Current\ Liabilities}$
Firm Size (Z)	*Log Total Assets*	$Ln(Total\ Assets)$

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Variable	Indicator/Proxy	Formula
	Source: Farhan et al. (2023); Kirimi et al. (2022)	

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive *statistics* provide a general overview of the data used as research variables. Descriptive statistical analysis will produce information consisting of the mean, median, maximum value, minimum value, and standard deviation of the research data. Data processing and analysis in this study were conducted using **EViews** software, which is capable of performing comprehensive, accurate, and efficient econometric analysis on panel data.

Therefore, based on the purposive *sampling* method, the sample in this study was Regional Development Banks that presented *sustainability reports* and *annual* reports for 3 consecutive years, namely from 2022 to 2024, and 15 Regional Development Banks with the largest assets according to 2024 data from the Financial Services Authority. The following are the results of the descriptive statistical analysis of the study in Table 2:

Table 2. Descriptive Statistics

	Liquidity	Sustainability Report	Firm Size	Financial Performance
Mean	84.10111	0.616606	24.42931	13.45578
Median	84.0600	0.626374	24.25872	13.66000
Maximum	116.2400	0.813187	26.11685	22.89000
Minimum	49.9000	0.362637	23.31101	6.490000
Std. Dev.	13.38401	0.103623	0.708585	3.812566
Skewness	-0.069248	-0.303041	0.682881	0.328170
Kurtosis	3.918974	2.514556	2.649514	2.722028
Jarque-Bera	1.619427	1.130607	3.727778	0.952594
Probability	0.444985	0.568188	0.155068	0.621079
Sum	3784.550	27.74725	1099.319	605.5100
Sum Sq. Dev.	7,881.798	0.472460	22.09207	639.5691
Observations	45	45	45	45

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The Liquidity variable, which has an average value of 84.10, indicates that the company's liquidity level is in the low category (0–100), meaning that its current assets are not fully capable of covering its current liabilities, so the company has the potential to face difficulties in meeting its short-term obligations.

The company's *Sustainability Report* variable is 0.62, which indicates a moderate level of disclosure as it is in the range of 40-80 (Garcia et al., 2016). The median value is slightly higher (0.63), which also indicates a relatively balanced distribution. The maximum value of 0.81 indicates that some companies have excellent sustainability disclosure, while the lower minimum value (0.36) indicates companies with limited disclosure.

For the *Firm Size* variable, the average value is 24.43, indicating that the companies in the sample are generally in the *large firms* category according to the classification (Beck, Demirgüç-Kunt, and Maksimovic, 2005), where large companies are characterized by very large asset ownership compared to *small* and *medium firms*. The slightly lower median value (24.26) indicates a slightly distorted distribution, with some companies having much larger assets. The maximum value of 26.12 indicates companies with very large total assets, while the minimum value of 23.31 indicates companies with relatively small assets.

Financial Performance, on average, is 13.46%, which indicates that companies generally generate a profit of 13.46% from their equity, placing companies in the fairly healthy category (ROE 10%–20%), which means that most companies in the sample are able to generate reasonable profits from their equity (Maybank Sekuritas Indonesia, 2025). The slightly higher median value (13.66) indicates that most companies have a *Financial Performance* higher than the average. The maximum value of 22.89% indicates companies with excellent performance, while the minimum value of 6.49% indicates companies with lower performance.

VALIDITY AND RELIABILITY

Chow Test

The Chow Test is used to determine the most appropriate model between the *Common Effect* and the *Fixed Effect.*

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Table 3. Chow Test

Redundant Fixed Effects Tests			
Equation: Untitled			
Cross-section fixed effects test			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	15.141934	(14.26)	0.0000
Cross-section Chi-square	99.635393	14	0.0000

Based on the results of the data processing above, it was found that the *p-value* or probability of both tests (Chi-square) was less than 0.05, so H_0 was rejected. Thus, the selected model was *the Fixed Effect Model.*

Hausman Test

The Hausman test is used to choose between the *Fixed Effect* and *Random Effect models.* The criterion used is that if the p-value is less than *α* (p-value < 0.05), then the selected model is *the Fixed Effect model.*

Table 4. Hausman Test

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	11.223190	4	0.0242

Based on the results of the data processing above, it was found that the *p-value* of 0.0242 was greater than 0.05, so H_0 was rejected. Thus, the most appropriate model to use is *the Fixed Effect Model*.

Normality Test

To test whether the data is normally distributed or not, the Jarque-Bera (J-B) test can be used. The criterion used is that if the probability value is > 0.05, then the data can be said to be normally distributed.

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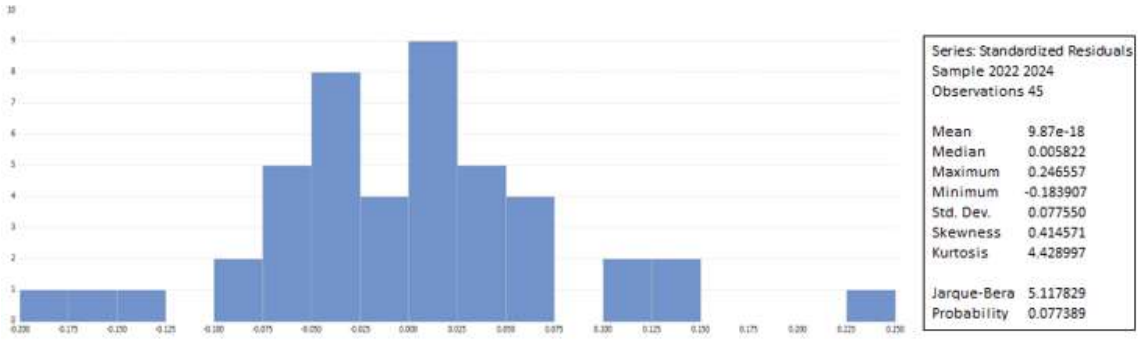


Figure 2 Normality Test

Heteroscedasticity Test

The heteroscedasticity test on panel data aims to examine whether there is non-constant residual variation between cross-sectional units or over time in the panel regression model.

1 . Table Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.710453	0.569162	3.005212	0.0046
Sustainability Report	-4.740797	13.17836	-0.359741	0.7209
Liquidity	-0.916819	1.411666	-0.649459	0.5198
*Sustainability Report*Firm Size*	1.500119	4.142347	0.362142	0.7192
*Liquidity*Firm Size*	0.180304	0.439795	0.409972	0.6840

The estimation results show that all independent variables have a probability value greater than 0.05. Based on the criteria (Gujarati & Porter, 2012), this indicates that there are no symptoms of heteroscedasticity in the panel regression model used.

Multicollinearity Test

A good regression model should not have correlations between independent variables. The criterion used is that if the correlation value is < 0.80, then H0 is accepted, meaning that there is no multicollinearity problem.

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2 . Table. Multicollinearity Test

	Financial Performance	***Sustainability Report***	***Liquidity***
Financial Performance	1.00000	-0.221349	0.334853
Sustainability Report	-0.221349	1.00000	-0.149486
Liquidity	0.334853	-0.149486	1.00000

Based on the calculation results, all correlation values between independent variables are below 0.80, namely the correlation between *Financial Performance* and *Sustainability Report* of -0.221349, *Financial Performance* and *Liquidity* of 0.334853, and *Sustainability Report* and *Liquidity* of -0.149486. Referring to the criteria (Gujarati & Porter, 2012), these values indicate that there is no multicollinearity problem in the panel regression model used.

Autocorrelation Test

An autocorrelation test was conducted to determine whether there was a relationship between the residuals in the current period and the residuals in the previous period in the regression model. Autocorrelation can cause parameter estimates to be inefficient even though they remain consistent (Gujarati & Porter, 2012).

Table 7. Autocorrelation Test

Durbin-Watson stat.	**dL**	**dU**	**dU < DW < (4-dU)**
2. 267	1.430	1.615	615 < 2.267 < 2.385

Based on the Durbin-Watson test results, a DW value of 2.267 was obtained, with a lower limit of dL = 1.430 and an upper limit of dU = 1.615. Because the DW value is within the range of dU < DW < (4 − dU) or 1.615 < 2.267 < 2.385, H_0 is not rejected. This indicates that there is no positive or negative autocorrelation in the panel regression model used (Gujarati & Porter, 2012).

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HYPOTHESIS TESTING

Simultaneous Test (F Test)

The F-test is used to determine whether all independent variables collectively (simultaneously) influence the dependent variable. Based on the estimation results, the Prob (F-statistic) value obtained is 0.000000, which is smaller than the significance level of 0.05. Thus, H_0 is rejected, and it can be concluded that all independent variables simultaneously have a significant effect on the dependent variable in the panel regression model used.

Table 8. Simultaneous Test , and Coefficient of Determination (R2)

R-squared	0.930428	Adjusted R-squared	0.88223
F-statistic	19.31739	Probability of F-statistic	0.00000

Coefficient of Determination

The coefficient of determination (R2) is used as parameter to measure the strength of the modeling form of the model on the actual dependent variable and the ability of the independent variable model on the dependent variable. Based on Table 8, the R-squared value of 0.9304 shows that 93.04% of the variation in the ROE variable can be explained by the independent variables in the model, while the remaining 6.96% is explained by other factors outside the model. The *Adjusted R-squared* value of 0.8823 takes into account the number of variables in the model and still shows a high explanatory power, so the model can be said to have a very good level of fit.

Partial Test (t-test)

The t-test is used to determine the effect of independent variables on dependent variables individually (partially). The t-test is used with a significance level of 0.05. The basis for decision-making is that if the probability value is < 0.05, then the independent variables individually (partially) affect the dependent variables.

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Table 9 Partial Test

Hypothesis	Variable	Coefficient	Prob.	Description
H1	*Sustainability Report => Financial Performance*	35.43562	0.024	Proven
H2	*Liquidity => Financial Performance*	8.350854	0.2819	Not proven
H3	*Sustainability Report*Firm Size*	-11.3497	0.0216	Proven
H4	*Liquidity*Firm Size*	-2.75725	0.2528	Not proven

Based on the results of the data processing above, it can be concluded that the Sustainability Report variable has a p-value = 0.0249 < 0.05, so $H_0$1 is rejected. This means that the Sustainability Report has a significant effect on Financial Performance, which shows that the higher the Sustainability Report reflects the implementation of good sustainability practices, the better the company's financial performance. The Liquidity variable has a p-value of 0.2819 > 0.05, so $H_0$2 is not rejected. This means that Liquidity does not have a significant effect on Financial Performance, indicating that the level of liquidity does not directly affect Financial Performance in the observation period. The Sustainability Report*Firm Size variable has a negative coefficient and a p-value = 0.0216 < 0.05, so $H_0$3 is rejected. This means that this interaction variable has a significant effect on Financial Performance, and the effect is negative. Firm size can weaken the effect of the Sustainability Report on Financial Performance because high ESG implementation costs cause large companies to face operational complexity and high fixed costs in adopting ESG practices, thereby reducing profitability. The variable " Liquidity* Firm Size" has a p-value of 0.2528 > 0.05, so H_0 is not rejected. This means that this interaction variable does not have a significant effect on Financial Performance, indicating that firm size does not strengthen the relationship between liquidity and Financial Performance.

The Goodness of Fit (GoF) test results show that the research model on the effect of sustainability reports and liquidity on financial performance with firm size as a moderating variable has a good model feasibility level. This is reflected in the R-squared value of 0.930 or 93.0%, which means that the model is able to explain 93.0% of the variation in financial performance, while the remaining 7.0% is explained by other factors outside the model. The Adjusted R-squared value of 0.882 further strengthens these

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results, because after taking into account the number of independent variables, the model can still explain 88.2% of the variation in the dependent variable (Ozili, 2023).

In addition, the F-statistic test result of 19.317 with Prob (F-statistic) = 0.000 shows that the model is significant overall. This means that the variables of the sustainability report, liquidity, and their interaction with firm size collectively influence financial performance. Thus, it can be concluded that this research model has a high level of feasibility and is reliable in explaining the influence of sustainability reports and liquidity on financial performance with firm size as a moderating variable.

Sustainability reporting is reporting that discloses information related to a company's economic, environmental, and social performance (Bosi et al., 2022). According to *signaling theory* more broadly, sustainability reporting is part of a good corporate governance strategy and is often seen as an indicator of management quality by the market (López-Santamaría et al., 2021). Based on the results of the research in Chapter III, it was found that the *sustainability report* variable had a significant effect on *financial performance* through the ROE indicator. This shows that the higher the level of sustainability disclosure by a company, the better its financial performance. The results of this study show that *sustainability reports* have a significant effect on financial performance. In addition, this study is also in line with research conducted by (Shawat et al., 2024), which found that *sustainability reports* have a significant effect on financial performance. However, the results of this study differ from the findings of (Sabrina, 2019), which stated that *sustainability reports* do not have a significant effect on financial performance. This is thought to be because the study only used a limited sample for the three-year period (2014–2016). Therefore, companies that can strengthen their financial fundamentals in a sustainable manner are advised to not only focus on traditional financial aspects, but also pay attention to the quality and consistency in the preparation of *sustainability reports*.

Liquidity is a company's ability to meet its short-term obligations using its current assets (Nam & Tuyen, 2024). According to *Trade-Off Theory*, the relationship between liquidity and company performance is often associated with the effectiveness of cash management, whereby companies that are able to maintain liquidity are expected to have more stable financial performance (Sudiyatno & Suwarti, 2022). Based on the research results described in Chapter III, it was found that liquidity did not have a significant effect on company financial performance as measured by the *Return on Equity* (ROE) indicator. This shows that a company's ability to efficiently meet its short-term obligations does not directly contribute to the achievement of better financial performance. This finding is in

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line with the results of a study conducted by (Bilal et al, 2024), which also examined the effect of liquidity on financial performance and found that liquidity does not have a significant effect on financial performance as measured by the ROE indicator. In addition, these findings support the results of a study by (Ngumo et al, 2020), which examined the determinants of financial performance in the Kenyan banking sector. The study found that the liquidity ratio was not significantly related to financial performance indicators. In the context of BPD banks, a similar policy is also implemented by Bank Indonesia, which requires banks to meet the Minimum Reserve Requirement (GWM), which is agreed to be 7.5% of Third Party Funds (DPK) collected by banks. This study also suggests that companies should not only focus on liquidity as the main indicator of financial performance, but also consider other factors that can contribute more directly to the company's profitability and sustainability, such as operational efficiency, cost management, and long-term investment strategies.

Larger companies are generally accompanied by increased operational complexity, business line diversification, and a larger number of employees and assets under management (Loughran & McDonald, 2024). These costs can include investments in environmentally friendly technology, sustainability audit systems, and external consultants to ensure reporting standards are met (Rudžionienė & Brazdžius, 2023). As a result, the short-term benefits of sustainability are often overshadowed by the high fixed costs that must be borne, thereby reducing the positive impact on financial performance. Based on the research results, it was found that *firm size* moderates the relationship between *sustainability reporting* and *financial performance* with a negative effect. This concludes that the larger the size of the company, the less influence sustainability reporting has on financial performance. This finding indicates that larger companies tend to face operational complexity and high fixed costs in implementing sustainability reporting, so that the cost burden is more dominant than the short-term benefits obtained. The results of this study are in line with research conducted by (Qofi'ah & Lismawati, 2025) on the Effect of *Environmental Social Governance* on Company Financial Performance with Company Size as a Moderating Variable. The results of the study show that the firm size variable is able to moderate the effect of *sustainability reports* on *financial performance*, and the moderating effect is negative. This is because the high implementation costs of ESG make large companies face significant operational complexity and fixed costs in adopting ESG practices, thereby reducing profitability.

Larger companies tend to have *economies of scale* that enable them to utilize liquidity more effectively for investment and operational expansion. Thus, liquidity not only

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fulfills short-term obligations but also drives stronger financial performance (Njenga et al., 2025). In addition, large companies generally have easier access to capital markets and low-cost credit, so that available liquidity can be used to take advantage of investment opportunities or debt restructuring, making *firm size* a catalyst in maximizing the potential of liquidity as a financial performance enhancer (Hashmi et al., 2020). Within the framework of *contingency theory*, the relationship between financial variables such as liquidity and performance is highly dependent on the internal context of the company, including its size (Sama'ila et al., 2024). *Firm size* is also often associated with stronger governance structures and more mature managerial capabilities, enabling large companies to translate liquidity into concrete strategic outcomes such as innovation, product diversification, and market penetration. This moderating effect theoretically explains why *firm size* strengthens the impact of liquidity on *financial performance* (Santosa, 2020). Based on the results of the study, it was found that *firm* size was not significant as a moderating variable in the relationship between liquidity and financial performance. This means that firm size does not affect the strength of the relationship between liquidity and a company's financial performance. Although large companies have more resources, including financial and operational capacity that enables them to meet short-term financial obligations (liquidity), firm size does not significantly affect the influence of liquidity on financial performance. This finding is in line with the research (Wati et al., 2019), which states that firm size is unable to moderate the effect of liquidity on financial performance. The decline in liquidity value that did not reach the expected limit was caused by an increase in current liabilities without being offset by an increase in current assets, which ultimately reduced investor confidence in the company. However, the results of this study contradict the findings (Apriani & Efni, 2024), which show that company size has a significant influence in strengthening the relationship between liquidity and sustainability report disclosure. In this context, company size becomes an indicator of a company's ability to respond to external and internal pressures in terms of sustainability reporting transparency, especially when the company has adequate liquidity. Furthermore, in the context of BPD Banks, company size is also unable to moderate the relationship between liquidity and financial performance. This is due to the Minimum Reserve Requirement stipulated by Bank Indonesia, which ensures that banks have sufficient liquidity, so that company size, regardless of its magnitude, will not affect the strengthening of the relationship between liquidity and financial performance.

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CONCLUSION

This study aims to analyze the effect of Sustainability Report implementation and Liquidity on Financial Performance with Firm Size as a Moderating Variable in 15 regional development banks with the largest assets that implement Sustainability Reporting. Based on the analysis results, it can be concluded that the first hypothesis (H1) states that *sustainability reports* have a positive and significant effect on *financial performance*, which means that the better the disclosure of *sustainability reports* by companies, the higher *their financial performance* will be. Based on the partial testing results for the second hypothesis (H2), it was found that liquidity does not have a significant effect on *financial performance*, which means that the level of liquidity possessed by a company does not directly affect the increase or decrease in *financial performance.*

The partial test results on the third hypothesis (H3) found that *firm size* can moderate the effect of sustainability reports on *financial performance* with a negative direction, which means that the larger the company size, the weaker the positive effect of *sustainability reports* on *financial performance.* Meanwhile, the partial test results for the fourth hypothesis (H4) found that *firm size* was not able to moderate the effect of liquidity on *financial performance*, which means that the size of the company does not affect the strength or weakness of the relationship between liquidity and *financial performance*.

RECOMMENDATIONS

This study only uses a quantitative approach with secondary data analysis obtained from annual reports and sustainability reports of Regional Development Banks (BPD). Thus, the results of the study only show the pattern of influence between variables in general, without being able to explore more deeply the managerial strategies or internal policies of banks that may affect financial performance. Therefore, further research is recommended to combine quantitative and qualitative approaches to provide a more comprehensive understanding. This study has limitations in terms of the location and of the research objects, as it was only conducted on 15 BPDs with the largest assets in Indonesia during the 2022–2024 period. This condition means that the results of the study cannot be generalized to all banks in Indonesia or other financial industry sectors.

Further research should expand the sample size in terms of both the number of banks and different sectors, so that the results can better represent actual conditions in general. Future research should include other variables, such as asset management or solvency, to examine their combined effect on financial performance. Future research could also add other variables as moderating variables that strengthen the relationship

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between *sustainability reports* and liquidity on financial performance, such as capital structure variables.

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