ABSTRACT

This study aims to analyze the effect of financing decisions on firm's sustainability reporting moderated by board independence in Indonesia. Firm's sustainability reporting is proxied by environmental, social, governance (ESG) disclosure. Financing decisions are proxied by debt financing and equity financing. This study also uses firm size, firm age, and asset tangibility as control variables.

The population in this study used non-financial sector companies listed on the Indonesia Stock Exchange (IDX) in 2018 – 2022 and through the purposive sampling method, the selected sample was 52 companies. This study uses a panel data regression analysis method which is analyzed using the Fixed Effect Model (FEM) and Moderated Regression Analysis (MRA) through the E-Views 12 software.

The findings on this study show a significant positive effect of debt financing on ESG disclosure, while equity financing shows an insignificant positive effect on ESG disclosure. Furthermore, this study found that there is a significant effect of board independence in moderating the effect of debt financing on ESG disclosure in Indonesia. The results of this study indicate that the debt on companies' capital structure as a reason for companies to disclose sustainability reports.

***Keywords**: Sustainability Report, Financing Decisions, ESG Disclosure, Debt Financing, Equity Financing, Board Independence.*