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## **Analysis of the Impact of Sustainability Report Disclosure on the Company's Financial Performance**

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### **Abstract**

This study examines the influence of economic, social, and environmental performance disclosures in Sustainability Reports on financial performance (Return on Assets (ROA) and Return on Equity (ROE)) in a sample of listed banking companies that use GRI standards in their sustainability reports, for the period 2022-2024. Using a quantitative approach with secondary data and panel data regression analysis, the independent variables are the Economic Disclosure Index (ECDI), Social Disclosure Index (SODI), and Environmental Disclosure Index (ENDI) based on GRI Standards 2021. The results show that the disclosure of Sustainability Reports simultaneously has a significant effect on both ROA and ROE. However, partially, only economic performance disclosure (ECDI) has a significant positive effect on ROA and ROE, while social performance disclosure (SODI) and environmental performance disclosure (ENDI) do not have a significant effect on either ROA or ROE. The firm size variable as a control has a significant positive effect on ROA and ROE. This study concludes that comprehensive disclosure in Sustainability Reports collectively contributes to the increase in ROA and ROE, supporting Legitimacy Theory.

**Keywords:** Sustainability Report, Financial Performance, Return on Assets

### **INTRODUCTION**

The ever-evolving complexity of the international business environment requires companies to expand their focus from simply pursuing economic profits to integrating social and environmental sustainability aspects in every operational activity. This phenomenon reflects a shift from the traditional approach of measuring success only through financial reporting to a more holistic concept, which is the triple bottom line that includes three main pillars: profit,

people, and planet. This shift is increasingly important as investors and consumers have higher expectations of corporate social responsibility and environmental sustainability (Syahril, 2019). In the face of these challenges, many companies are now adopting the triple bottom line as a more comprehensive framework for evaluating their performance. Profit is no longer the only measure of success, but it is also balanced by concern for social and environmental impact. People, which refers to the social impact of a company,

requires them to pay attention to the welfare of employees, workers' rights, and contribution to the development of the society around them. Companies should provide added value to the wider community as well as to their shareholders by ensuring that every policy they implement helps the community (Alowais, 2024).

Furthermore, the planetary aspect becomes very important in the context of environmental sustainability. Companies are supposed to operate in an environmentally friendly manner, minimize carbon footprint, control waste, and make the best use of available resources. This is not only to meet existing regulations, but also to answer the demands of consumers and investors who are increasingly concerned about environmental issues. Good environmental management will improve the company's reputation, as well as provide long-term benefits that are not only financially profitable, but also support the sustainability of the planet.

With the increasing awareness of the importance of sustainability, sustainability reports are becoming an important tool for companies to demonstrate transparency and accountability to these three pillars. These reports allow companies to communicate their commitment to maintaining a balance between profit, people, and the planet, as well as provide the information stakeholders need to make smarter, more sustainable decisions. Thus, sustainability is not just a business's social obligation but also a key component in building the company's long-term value.

At the same time, companies listed on the Indonesia Stock Exchange (IDX) are beginning to understand the importance of sustainability reports in demonstrating their dedication to economic, social, and environmental sustainability. These sustainability reports help companies build credibility and trust with stakeholders, such as investors and customers, in addition to demonstrating their performance (PwC Indonesia, 2023).

According to records published by the Indonesia Stock Exchange, throughout 2024 there are 873 listed entities that have reported their sustainability documents for the 2023 period.

This figure reflects 97% of all companies listed on the IDX. This sustainability reporting obligation is based on the regulations contained in POJK Number POJK No. 51 /POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies, and is strengthened by OJK Circular Letter Number 16/SEOJK.04/2021 which regulates the Form and Content of Annual Reports of Issuers or Public Companies (Jefry, 2025).

The relationship between Sustainability Report Disclosure (SRD) and Financial Performance (FP) remains complex and inconclusive in existing academic literature. On one hand, several studies affirm a positive link. Rizkia (2020) and Arisman and Nuzul (2018) both concluded that SRD positively and significantly impacts FP, particularly by enhancing company reputation and stakeholder trust. Similarly, within the banking sector, Nurhalim (2020) reported that SRD positively influences financial performance. These findings suggest that transparent ESG practices are recognized and rewarded by the market. However, a contrasting perspective exists. Widyaningdyah (2019) found that while SRD might be correlated with company attributes, its effect on FP was statistically not significant. This view is further supported by Fadhiah (2018), whose research indicated that CSR disclosure also did not show a significant influence on financial performance. These contrasting outcomes highlight that the conversion of social and environmental transparency into measurable financial success metrics (like ROA and ROE) remains highly contextual and requires further investigation.

A number of studies present a variety of findings on how sustainability reporting affects financial performance. For example, research by Tirsa Anisa Wartabone states that although companies that disclose sustainability reports can gain reputational benefits, this does not necessarily translate directly into significant improvements in financial performance (Wartabone, 2023). This shows that there are inconsistencies in the literature regarding the impact of sustainability disclosures on financial performance, which

makes this topic still need further research.

Current research indicates that the disclosure of financially relevant sustainability reports provides a positive perception of a company's financial performance. A study conducted (Jajang, 2023) on 12 Indonesian Islamic banks in the 2018–2020 period revealed that sustainability disclosures had a positive and significant effect on ROE and *Earnings per Share* (EPS), although they did not show a significant influence on *Return on Assets* (ROA).

The study's findings show that while giving stakeholders access to sustainability reports can improve their opinion of the business, the impact on financial success as defined by ROA and ROE is still different. Thus, additional research is needed to determine the elements that influence the relationship between sustainability disclosure and financial performance. This study applied control variables, specifically firm *size*, to limit the impact of external variables that may have an impact on financial performance. This allows for a more precise and targeted examination of the relationship between sustainability disclosure and financial performance.

These divergences of findings suggest that more thorough and contextual research is still needed to fully understand the relationship between sustainability disclosures and financial performance. Referring to this, the purpose of this study is to further research how business financial performance is affected by sustainability report disclosure. The findings of this study are expected to broaden our understanding of the relationship between social and environmental transparency and corporate financial success in the Indonesian capital market. Therefore, the researcher wanted to conduct a study called "Analysis of the Impact of Sustainability Report Disclosure on Financial Performance" to fill gaps in the literature and improve the scientific discourse on sustainability and finance subjects.

## METHODS

This research is a quantitative research that aims to collect and analyze data systematically using statistical tests. The main purpose of this study is to test the influence of *sustainability report*, with company size as a control variable on banking financial performance for the 2022-2024 period. To conduct this study, the authors collected financial and sustainability data from banking companies listed on the Indonesia Stock Exchange (IDX). These documents were obtained through the company's official website as well as publications from the Indonesia Stock Exchange website. Purposive sampling techniques were used in this study to determine the research sample. The research population consists of 47 banking companies listed on the Indonesia Stock Exchange (IDX). Of these, 20 companies do not use the Global Reporting Initiative (GRI) standards or do not report the content of the GRI index in their sustainability reports during the 2022-2024 period (Sugiyono, 2020).

## RESULTS

### Determination of panel data estimation model

Specification test with chow test model

The Chow test is used to determine the most suitable model between *the Fixed Effect Model* and *the Common Effect Model*, The hypotheses used in this test are:

$H_0$ : probability value  $> 0.05 \rightarrow$  *Common Effect Model*

$H_1$ : probability value  $< 0.05 \rightarrow$  *Fixed Effect Model*

If the test results show that  $H_0$  is accepted, then the model used is CEM and the next test is carried out with the Lagrange Multiplier Test. Conversely, if  $H_0$  is rejected, then FEM becomes the selected model and will be passed on to the Hausman Test. The following are the results of the Chou Test:

**Table 1.** Chou Y1 test

**Redundant Fixed Effects**

**Tests Equation : Untitled**

**Test cross-section fixed effects**

Effects Test	Statistic	d.f.	Prob.
Cross-section F	13.305278	(26,50)	0.0000
Cross-section Chi-square	167.607846	26	0.0000

Source: Eviews, Data diolah, 2025.

**Table 2.** Chou Y2 test

**Redundant Fixed Effects Tests**

**Equation : Untitled**

**Test cross-section fixed effects**

Effects Test	Statistic	d.f.	Prob.
Cross-section F	15.436846	(26,50)	0.0000
Cross-section Chi-square	178.219264	26	0.0000

Source: Eviews, Data diolah, 2025.

Based on the results of the specification test using the Chow test, it is known that the chi-square probability value of both models is  $< 0.05$ , which means that H1 is accepted. Therefore, the chosen model is a fixed effect. Furthermore, a Hausman test is needed to determine whether a more appropriate fixed effect or random effect model is used.

Specification test with hausman test model

The Hausman test aims to determine the best model between *the Fixed Effect Model* and *the Random Effect Model*. The hypothesis on this test is:

H<sub>0</sub>: probability value  $> 0.05 \rightarrow$  *Random Effect Model*

H<sub>1</sub>: probability value  $< 0.05 \rightarrow$  *Fixed Effect Model*

If H<sub>0</sub> is accepted, then REM is used as the best model. However, if H<sub>0</sub> is rejected, then FEM is chosen to be used in regression analysis. Here are the results of the thirist test:

**Table 3.** Hausman Y1 test

Test	Chi-Sq.	d.f.	Prob.
<b>Summary</b>			
Cross-section Chi-square	1.719988	4	0.7871

Source: Eviews, Data diolah, 2025.

**Table 4.** Hausman Y2 test

Test	Chi-Sq.	d.f.	Prob.
<b>Summary</b>			
Cross-section Chi-square	1.699592	4	0.7908

Source: Eviews, Data diolah, 2025.

Based on the results of the specification test using the Hausman test, it is known that the chi-square probability value of both models is  $> 0.05$ . Therefore, the chosen model is a random effect model. Furthermore, a Lagrange Multiplier test is needed to determine whether a more appropriate

common effect or random effect model is used. Specification test with lagrange multiplier test model

The Lagrange Multiplier Test (LM Test) or Breusch-Pagan Test is a statistical test used to choose between a Common Effect Model and a Random Effect Model. The zero hypothesis (H0) in this test states that there are no individual effects or *random component errors* (in favor of the Common Effect), while the alternative hypothesis (H1) states that there is a random individual effect (in favor of the Random Effect).

In this stage of panel model selection, the Lagrange Multiplier Test is no longer relevant to be interpreted or used as a basis for decision-making. This is because based on the results of the previous Chow Test and Hausman Test, the Fixed Effect Model has been proven to be the most suitable and consistent model for this study.

The Chow Test has eliminated the Common Effect Model, and the Hausman Test has eliminated the Fixed Effect Model. Therefore, the interpretation of the results of the Lagrange Multiplier Test is necessary to determine the selected model between the common effect model and the random effect model.

The value of the two cross-section models in this study  $< 0.05$ , so the selected model is the REM model.

### Classic assumption test

#### Multicollinearity test

The multicollinearity test aims to detect whether there is a high or perfect correlation between independent variables in the regression model. Multicollinearity can cause the estimation of regression coefficients to be unstable, the standard of error large, and the difficulty of identifying the influence of each independent variable separately.

To ensure the absence of serious multicollinearity, testing was carried out using Variance Inflation Factor (VIF) and Tolerance values. The VIF value measures how much the variance of the regression coefficient is magnified due to the presence of multicollinearity. The general criteria used are as follows:

1. If the VIF value is greater than 10, then there is a serious multicollinearity problem in the model.
  2. If the VIF value is less than 10, then the model is declared free of multicollinearity problems.
- In addition to VIF, the Tolerance value is also

**Table 5.** LM Y1 test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch - Pagan	50.89169 (0.0000)	1.501503 (0.2204)	52.39320 (0.0000)

Source: Eviews, Data diolah, 2025.

**Table 5.** LMY1 test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch - Pagan	53.97377 (0.0000)	1.675468 (0.4112)	54.64923 (0.0000)

Source: Eviews, Data diolah, 2025.

checked, where the Tolerance is the opposite of the VIF (Tolerance = 1/VIF). Generally, a Tolerance value greater than 0.10 indicates the absence of multicollinearity problems. Based on the results of the multicollinearity test for the Y1 and Y2 Regression Models, the VIF and Tolerance values were obtained as follows:

**Table 7.** Y1 multicollinearity test

Variable	Coefficient Cariance	Uncentered VIF	Centered VIF
C	0.000426	149.9743	NA
X1	1.27E-06	4.766635	1.420566
X2	0.000123	6.576958	2.190355
X3	0.000112	8.983516	2.017262
Z	1.31E-06	159.7677	1.243236

Source: Eviews, Data diolah, 2025.

Based on the table above, all *Centered VIF* values for independent variables in Model Y1 (ROA) are below threshold 10. The highest VIF value is 2.190355 (for the X2 variable), which is well below 10. This also means that all *Tolerance* values (1/VIF) are greater than 0.10.

**Table 8.** Y2 multicollinearity test

Variable	Coefficient Cariance	Uncentered VIF	Centered VIF
C	0.004114	149.9743	NA
X1	1.22E-05	4.766635	1.420566
X2	0.001191	6.576958	2.190355
X3	0.001078	8.983516	2.017262
Z	1.26E-05	159.7677	1.243236

Source: Eviews, Data diolah, 2025.

Based on the table above, all *Centered VIF* values for independent variables in Model Y2 (ROE) are also below the 10 threshold. The highest VIF value is 2.190355 (for the X2 variable), which is also well below 10. Similarly, all *Tolerance* values (1/VIF) are greater than 0.10.

Thus, it can be concluded that there are no significant multicollinearity problems in both regression models, making the model worthy of

further analysis.

#### Heterokedasticity test

Heteroscedasticity testing aims to examine whether there is a difference in residual variance between one observation and another in a regression model. The heterokedasticity testing method uses the Glycerine Test by looking at the probability value. When the value of Prob. > 0.05, the data is not symptomatic of heterokedasticity, following the heterokedasticity testing table.

**Table 9.** Heteroscedasticity test

<b>Heteroskedasticity Test White</b>			
<b>Null hypothesis: Homoskedasticity</b>			
F-statistic	1.018933	Prob. F(14,66)	0.4461
Obs*R-squared	14.39567	Prob. Chi-Square(14)	0.4207

Source: Eviews, Data diolah, 2025.

**Table 10.** Heteroscedasticity test

<b>Heteroskedasticity Test White</b>			
<b>Null hypothesis: Homoskedasticity</b>			
F-statistic	0.746934	Prob. F(14,66)	0.7200
Obs*R-squared	11.07841	Prob. Chi-Square(14)	0.6799

Source: Eviews, Data diolah, 2025.

Based on the heteroscedasticity test above, the probability value of all variables is greater than 0.05. This indicates that the data is not experiencing any issues in the model.

#### Panel data analysis

Based on the model selection tests (Chow Test and Hausman Test & LM Test) that have been conducted, the most appropriate model to be used in this study is the Random Effect Model (REM). This sub-chapter will present and interpret the estimated results of the model.

#### First model Y1 (ROA)

The results of the panel data regression estimation using the Random Effect Model (REM) to test the influence of variables X1, X2, X3, and Z on Y1 are presented in the table below.

**Table 11.** Data regression analysis panel Y1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.077390	0.032149	-2.407255	0.0185
X1	0.001482	0.000735	2.015534	0.0474
X2	0.002014	0.007714	0.261125	0.7947
X3	0.002463	0.008443	0.291689	0.7713
Z	0.004582	0.001742	2.629830	0.0103

Source: Eviews, Data diolah, 2025.

Based on the results in the table above, the regression equation formed is as follows:  $ROA = -0.077390 + 0.001482 \cdot ECDI + 0.002014 \cdot ENDI + 0.002463 \cdot SODI + 0.004582 \cdot Z$

Here is the interpretation of each coefficient in the regression model:

1. The value of the constant (C) is -0.077390. This number represents the average value of the ROA variable if all independent variables (ECDI, ENDI, SODI, and Z) are zero, ignoring the specific effects of each individual.
2. The coefficient for the ECDI variable (X1) is 0.001482 with a probability value of 0.0474. Since this probability value is less than 0.05, it is concluded that the ECDI variable has a positive and significant effect on ROA. This means that every one unit increase in the ECDI variable will cause an increase in the ROA variable of 0.001482 units, assuming another variable *is ceteris paribus*. This increase is statistically significant.
3. The coefficient for the ENDI variable (X2) is 0.002014 with a probability value of 0.7947. Since this probability value is greater than 0.05, it is concluded that the ENDI variable has no significant effect on ROA. This means that every one unit increase in the ENDI variable will cause an increase in the ROA variable of 0.002014 units, assuming another variable *is ceteris paribus*. However, this increase is not

statistically significant.

4. The coefficient for the SODI variable (X3) is 0.002463 with a probability value of 0.7713. Since this probability value is greater than 0.05, it is concluded that the SODI variable has no significant effect on ROA. This means that every one unit increase in the SODI variable will cause an increase in the ROA variable of 0.002463 units, assuming another variable *is ceteris paribus*. However, this increase is not statistically significant.
5. The coefficient for variable Z is 0.004582 with a probability value of 0.0103. Since this probability value is less than 0.05 (even 0.01), it is concluded that the Z variable has a positive and significant effect on ROA. This means that every one unit increase in the Z variable will cause an increase in the ROA variable of 0.004582 units, assuming another variable *is ceteris paribus*. This increase is statistically significant.

#### Second model Y2 (ROE)

This section presents the results of the panel data regression estimation for the second model, which tests the influence of the variables X1, X2, X3, and Z on the dependent variable Y2. This model also uses a Fixed Effect Model (FEM) according to the results of the model selection test. The regression estimation results for the second model are presented in the table below:

**Table 12.** Data regression analysis panel Y2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.482871	0.099790	-4.838891	0.0000
X1	0.005973	0.002155	2.771309	0.0070
X2	0.016927	0.022632	0.747911	0.4568
X3	0.011798	0.024865	0.474480	0.6365
Z	0.028976	0.005404	5.361771	0.0000

Source: Eviews, Data diolah, 2025.

Based on the results of the estimates in the table above, the regression equations formed are:  $ROE = -0.482871 + 0.005973 \cdot ECIDI + 0.016927 \cdot ENDI + 0.011798 \cdot SODI + 0.028976 \cdot Z$

Here is the interpretation of each of the coefficients in the second regression model:

1. The value of the constant (C) is -0.482871. This figure indicates that, if all independent variables (X1, X2, X3, and Z) had a value of zero, then the ROE would be estimated to be worth an average of -0.482871, ignoring the specific effects of each individual.
2. The coefficient for the variable X1 (ECIDI) is 0.005973 with a probability value of 0.0070. Since this probability value is less than 0.05 (even 0.01), it is concluded that the X1 variable (ECIDI) has a positive and significant effect on ROE. This means that every one unit increase in the X1 variable (ECIDI) will cause an increase in the ROE variable of 0.005973 units, assuming another variable *is ceteris paribus*.
3. The coefficient for the variable X2 (ENDI) is 0.016927 with a probability value of 0.4568. Since this probability value is greater than 0.05, it is concluded that the variable X2 (ENDI) has no significant effect on ROE. This means that every one unit increase in the X2 variable (ENDI) will cause an increase in the ROE variable of 0.016927 units, assuming another variable *is ceteris paribus*. However, this increase is not statistically significant.
4. The coefficient for the variable X3 (SODI) is 0.011798 with a probability value of 0.6365. Since this probability value is greater than 0.05, it is concluded that the variable X3

(SODI) has no significant effect on ROE. This means that every one unit increase in the X3 variable (SODI) will cause an increase in the ROE variable of 0.011798 units, assuming another variable *is ceteris paribus*. However, this increase is not statistically significant.

5. The coefficient for variable Z is 0.028976 with a probability value of 0.0000. Since this probability value is much smaller than 0.05 (even 0.01), it is concluded that the Z variable has a positive and significant effect on ROE. This means that every one unit increase in the Z variable will cause an increase in the ROE variable of 0.028976 units, assuming another variable *is ceteris paribus*.

#### T test

The t-test aims to assess the individual impact of independent variables, i.e. ECIDI, ENDI, and SODI, on the financial performance of ROA and ROE. In addition, this test is also to determine whether the influence between these variables is significant and whether the research hypothesis can be accepted or rejected.

Decision making in the t-test can be done by comparing the probability value with the level of significance (alpha,  $\alpha$ ) that has been set. In socio/economic research, the commonly used significance level is 5% or 0.05.

1. If the value of Prob. < 0.05, then  $H_0$  is rejected and  $H_a$  is accepted. This means that the independent variable has a significant partial effect on the dependent variable.
2. If the value of Prob. > 0.05, then  $H_0$  is accepted and  $H_a$  is rejected. This means that the independent variable does not have a significant partial effect on the dependent variable.

Dependent variable – ROA (Y1)

**Table 13.** T test Y1 (ROA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.077390	0.032149	-2.407255	0.0185
X1	0.001482	0.000735	2.015534	0.0474
X2	0.002014	0.007714	0.261125	0.7947
X3	0.002463	0.008443	0.291689	0.7713
Z	0.004582	0.001742	2.629830	0.0103

Source: Eviews, Data diolah, 2025.

Based on the regression results in the table above, here is the analysis for each variable:

1. Effect of ECDI Variables on Dependent Variables (ROA): The t-statistical value for the ECDI variable was obtained of 2.015534. With a probability value (Prob.) of 0.0474, which is smaller than the significance level of 0.05, the Null Hypothesis ( $H_0$ ) is rejected. This means that partially, the ECDI variable has a positive and significant effect on the dependent variable (ROA). The coefficient shows a positive value (0.001482), which indicates a positive and statistically significant direction of the relationship.
2. Effect of ENDI Variables on Dependent Variables (ROA): The t-statistical value for the ENDI variable is 0.261125. With a probability value of 0.7947 greater than 0.05,  $H_0$  is accepted. The conclusion is that the ENDI variable partially does not have a significant effect on the dependent variable (ROA). A coefficient with a positive value (0.002014) indicates the direction of a positive relationship, but statistically, this influence is not significant.
3. Effect of SODI Variables on Dependent Variables (ROA): The t-statistical value for SODI variables was obtained of 0.291689. The probability value is 0.7713. Since

this probability value is greater than the significance level of 0.05, the Null Hypothesis ( $H_0$ ) is accepted. Therefore, it can be concluded that the SODI variable partially does not have a significant effect on the dependent variable (ROA). The positive coefficient (0.002463) indicates a positive relationship, but it is not statistically significant.

4. Effect of Variable Z on Dependent Variable (ROA): For variable Z, a t-statistical value of 2.629830 was obtained. Most importantly, the probability value (Prob.) is 0.0103. Since this probability value is less than 0.05 (even less than 0.01), the Null Hypothesis ( $H_0$ ) is rejected. This shows that Variable Z partially has a positive and significant effect on dependent variables (ROA). The positive coefficient (0.004582) indicates that there is a strong and significant unidirectional relationship between Variable Z and dependent variable (ROA).

Based on the results of the partial t-test, it can be concluded that of the four independent variables analyzed, the ECDI variable and the Z variable were found to have a positive and significant influence on the dependent variable (ROA). The other two variables, namely ENDI and SODI, did not show a statistically significant influence.

Dependent variable – ROE (Y2)

**Table 14.** T test Y2 (ROE)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.482871	0.099790	-4.838891	0.0000
X1	0.005973	0.002155	2.771309	0.0070
X2	0.016927	0.022632	0.747911	0.4568
X3	0.011798	0.024865	0.474480	0.6365
Z	0.028976	0.005404	5.361771	0.0000

Source: Eviews, Data diolah, 2025.

Based on the regression results in the table above, here is the analysis for each variable:

1. The value of the constant (C) is -0.482871 with a t-statistical value of -4.838891. The probability value (Prob.) is 0.0000. Since this probability value is much smaller than the significance level of 0.05 (even 0.01), it can be concluded that the constant is statistically significant. That is, if all independent variables (ECDI, ENDI, SODI, and Z) are zero, the mean ROE value is -0.482871, and this value is statistically significant.
2. Effect of ECDI Variables on Dependent Variables (ROE): The coefficient for the ECDI Variable was obtained of 0.005973 with a t-statistical value of 2.771309. The probability value (Prob.) for ECDI is 0.0070. Since this probability value (0.0070) is less than the significance level of 0.05 (even 0.01), it can be concluded that partially, the ECDI variable has a positive and significant effect on the dependent variable (ROE). The positive coefficient indicates that there is a positive and statistically significant direction of the relationship.
3. Effect of ENDI Variables on Dependent Variables (ROE): The coefficient for the ENDI Variable was obtained of 0.016927 with a t-statistical value of 0.749711. The probability value (Prob.) for ENDI is 0.4568. Since this probability value (0.4568) is greater than the significance level of 0.05,  $H_0$  is accepted.

The conclusion is that partially, the ENDI variable does not have a significant effect on the dependent variable (ROE). The positive coefficient indicates that there is a positive relationship direction, but this relationship is not statistically significant.

4. Effect of SODI Variables on Dependent Variables (ROE): The coefficient for SODI Variable was obtained of 0.011798 with a t-statistical value of 0.474480. The probability value (Prob.) for SODI is 0.6365. Since this probability value (0.6365) is greater than the significance level of 0.05,  $H_0$  is accepted. The conclusion is that partially, SODI variables have no significant effect on dependent variables (ROE). The positive coefficient indicates that there is a positive relationship direction, but this relationship is not statistically significant.
5. Effect of Variable Z on Dependent Variable (ROE): The coefficient for Variable Z was obtained of 0.028976 with a t-statistical value of 5.361771. The probability value (Prob.) for Z is 0.0000. Since this probability value (0.0000) is much smaller than the significance level of 0.05 (even 0.01), it can be concluded that partially, Variable Z has a positive and significant effect on the dependent variable (ROE). The positive coefficient indicates that there is a strong and statistically significant direction of the positive relationship.

**Table 15.** Test F Y1 (ROA)

R-squared	0.131962	Mean dependent var	0.003409
Adjusted R-squared	0.086276	S.D. dependent var	0.006844
S.E of regression	0.006543	Sum squared resid	0.003253
F-statistic	2.888441	Durbin-Watson stat	1.350219
Prob (F-statistic)	0.027776		

Source: Eviews, Data diolah, 2025.

**Table 16.** Test F Y2 (ROE)

R-squared	0.338254	Mean dependent var	0.019346
Adjusted R-squared	0.303425	S.D. dependent var	0.022822
S.E of regression	0.019047	Sum squared resid	0.027573
F-statistic	9.711906	Durbin-Watson stat	1.547718
Prob (F-statistic)	0.000002		

Source: Eviews, Data diolah, 2025.

Based on the results of the analysis, Table 15 (F Y1 Test (ROA)) shows an F-statistic value of 2.888441 with a Prob(F-statistic) of 0.027776. Since this probability value (0.027776) is smaller than the significance level of 0.05, the Null Hypothesis ( $H_0$ ) is rejected. This means that simultaneously, all the independent variables used in the Y1 regression model (ROA) have a significant influence on the dependent variables. In other words, this regression model is overall feasible and significant in explaining the variation of ROA-dependent variables.

Meanwhile, Table 16 (F Y2 Test (ROE)) shows an F-statistic value of 9.711906 with a Prob(F-statistic) of 0.000002. Just like the Y1 (ROA) model, this probability value (0.000002) is also well below the significance level of 0.05, so the Null Hypothesis ( $H_0$ ) is rejected. Therefore, it can be concluded that simultaneously, all the independent variables used in the Y2 regression model (ROE) have a significant influence on the dependent variables. This indicates that the Y2 regression (ROE) model is also feasible and statistically significant for predicting or explaining ROE-dependent variables.

Both models (Y1/ROA and Y2/ROE) show that independent variables together have a very significant influence on their respective dependent variables. This is reinforced by the Prob (F-statistic) value that is close to zero for

both models, indicating that the regression model constructed is statistically significant and feasible for analysis (Sulantari et al., 2024).

**R2 determination coefficient test**

The determination coefficient test serves to measure how much independent variables in the model can explain the diversity or change in the dependent variables. The part that the model cannot explain shows the influence of other factors that were not included in the analysis.

Based on the results of the determination coefficient test in Table 16 (R2 Y1 Determination Coefficient Test (ROA)) shows an R-squared value of 0.131962 or 13.1962%. This figure indicates that 13.1962% of the variation in the dependent variables (ROA) can be explained by the independent variables included in this model. The remaining 86.8038% (100%–13.1962%) was contributed by other variables that were not included in the research model. The Adjusted R-squared value of 0.086276 or 8.6276% also indicates the predictability of the model after adjusting for the number of independent variables.

Meanwhile, the results of the determination coefficient test in Table 17 (R2 Y2 Determination Coefficient (ROE) test), obtained an R-squared value of 0.338254 or 33.8254%. This shows that 33.8254% variation in dependent variables (ROE) can be explained by the independent variables used in this model. The remainder, 66.1746%

**Table 17.** R2 Y1 determination coefficient test (ROA)

R-squared	0.131962	Mean dependent var	0.003409
Adjusted R-squared	0.086276	S.D. dependent var	0.006844
S.E of regression	0.006543	Sum squared resid	0.003253
F-statistic	2.888441	Durbin-Watson stat	1.350219
Prob (F-statistic)	0.027776		

Source: Eviews, Data diolah, 2025.

**Table 18.** R2 Y2 determination coefficient test (ROE)

R-squared	0.338254	Mean dependent var	0.019346
Adjusted R-squared	0.303425	S.D. dependent var	0.022822
S.E of regression	0.019047	Sum squared resid	0.027573
F-statistic	9.711906	Durbin-Watson stat	1.547718
Prob (F-statistic)	0.000002		

Source: Eviews, Data diolah, 2025.

(100%–33.8254%), was explained by factors other than the research model. The Adjusted R-squared value of 0.303425 or 30.3425% also supports that this model has good explanatory capabilities.

Overall, both models show the ability to explain variations in their respective dependent variables. Model Y2 (ROE) has greater explanatory ability with higher R-squared and Adjusted R-squared values than Model Y1 (ROA).

## DISCUSSION

This section describes the interpretation of the results of the partial hypothesis test (t-test) for each independent variable against the dependent variable in the research model. This discussion includes an analysis of statistical significance, the direction of relationships, and its relevance to previous theories and research.

### Influence of independent variables on ROA

The effect of ECDI (*economic disclosure index*) on ROA (ROA)

Based on the results of the t-test, for the Economic Disclosure Index (ECDI) variable on ROA, the t-statistical value is 2.015534. Since the absolute value of the t-statistic (2.015534) is greater than the value of the t-table (assuming 1.9955 for a significant significance level of 0.05 and a considerable df), and the significance value of 0.0474 which is smaller than 0.05, H<sub>0</sub> is rejected. This means that X<sub>1</sub> (ECDI) partially has a positive and significant effect on ROA. The coefficient shows a positive value (0.001482), which indicates a positive and statistically significant direction of the relationship.

Specifically, the significance of the ECDI can be indicated because the market in Indonesia has begun to give a fairly high premium to non-mandatory economic disclosure information in sustainability reports. Investors may increasingly focus on sustainability statements as a complement to traditional financial statements and begin to understand the long-term relevance of disclosure of economic aspects in assessing a company's profitability. It is possible that the quality or quantity of ECDI disclosures by the sample company has reached a tipping point capable of

statistically affecting ROA. Aspects of economic disclosure, such as those covered by GRI standards (e.g., GRI 201: Economic Performance which details the economic value generated and distributed, or GRI 203: Indirect Economic Impacts which reviews indirect economic impacts), may now begin to be consistently interpreted by *stakeholders* as direct drivers of profitability, especially if the information is increasingly integrated with financial metrics (Mutira, 2017).

The Effect of ENDI (*environmental disclosure index*) on ROA

Based on the results of the t-test, the ENDI (Environmental Disclosure Index) variable for ROA showed a t-statistical value of 0.261125. With an absolute value of t-statistics (0.261125) that is smaller than the t-table value (assumption of 1.9955), and a significance value of 0.7947 that is greater than 0.05, H<sub>0</sub> is accepted. This shows that ENDI (Environmental Disclosure Index) partially has no significant effect on ROA. Although the ENDI (Environmental Disclosure Index) indicates the direction of a positive influence on ROA (coefficient of 0.002014), this insignificance indicates that environmental performance disclosure efforts by companies have not directly or significantly affected ROA. Environmentally-related investments or initiatives may take longer to produce measurable financial impact, or stakeholders have not fully converted environmental information into decisions that affect ROA.

Further analysis shows that despite global awareness of the importance of environmental issues, the impact on corporate profitability in the context of this research may not have been fully materialized or not fully appreciated by investors. Environmental-related investments or initiatives, such as efforts to reduce greenhouse gas emissions (GRI 305: Emissions) or optimize energy use (GRI 302: Energy), often require significant upfront costs and the financial benefits may not be directly reflected in ROA in the short term. Investors may view this as an additional operational expense rather than as a strategic investment that immediately provides significant

financial returns. In addition, the voluntary nature of environmental disclosure in Indonesia can lead to variations in the quality and depth of disclosure, so it is not consistent enough to create a statistically significant financial impact (Madany & Rais, 2022).

The Effect of SODI (*social disclosure index*) on ROA

The results of the t-test for the SODI (Social Disclosure Index) variable on ROA showed a t- statistical value of 0.291689. Given that the absolute value of the t-statistic (0.291689) is smaller than the value of the t-table (assumption of 1.9955), and the significance value of 0.7713 which is greater than 0.05, H<sub>0</sub> is accepted. This means that SODI (Social Disclosure Index) partially has no significant effect on ROA. The insignificance of SODI's influence on ROA, although in a positive direction (coefficient of 0.002463), it can be interpreted that the disclosure of social performance by companies has not had a statistically significant impact on ROA.

Positive imagery built through social activities may provide indirect benefits, but have not been directly correlated strongly with ROA in the context of this study. These findings are consistent with research by Tirsa Wartabone, Nilawati Yusuf, and Nurhayati Panigoro in 2023 who examined companies on the sharia stock index in Indonesia for the 2018-2021 period, they stated that the social aspect does not have a positive effect on the financial performance of ROA. Research by R. Sri Handayani in 2023 that examined banking companies in Indonesia also found similar results that the disclosure of social aspects did not have a significant effect on financial performance.

The Effect of company size on ROA

The results of the t-test for the variable Company Size (Z) to Profitability (ROA) showed a t- statistical value of 2.629830. Based on a comparison of the absolute value of the t-statistic (2.629830) which is greater than the t-table value (assumption of 1.9955) at the relevant significance level, as well as the significance value of 0.0103 which is smaller than the significance level of 0.05 (even 0.01), it can be concluded that the null hypothesis (H<sub>0</sub>) is rejected. This indicates that the

Company Size Variable (Z) partially has a positive and significant effect on Profitability (ROA).

The results of this finding are different from the research from Febrita Dyaning Ratri and Marsono who stated that Company Size has a significant and negative effect on Profitability. These findings show the complexity of the relationship between company size and profitability that can vary depending on the context, sector, and period of the study. Nonetheless, its significant influence suggests that Company Size is a factor that cannot be ignored and needs to be taken into account when analyzing the determinants of profitability, as its existence can affect the estimation of the relationship between the main independent variable and Profitability. Large companies tend to have greater resources to invest in research and development, marketing, and improving operational efficiency. This can help them achieve economies of scale and market dominance, ultimately increasing profitability. In addition, large companies often have stronger bargaining power with suppliers and customers, which can also contribute to increased profit margins (NCCR, 2025).

**Influence of independent variables on ROE**

The effect of ECDI (*economic disclosure index*) on ROE

The results of the t-test showed that for the ECDI (Economic Disclosure Index) variable on ROE, the t-statistical value was 2.771309. With an absolute value of t-statistics (2.771309) that is greater than the value of t-table (assuming 1.9955 for a significance level of 0.05 and a large enough df), and a significance value of 0.0070 that is smaller than 0.05 (even 0.01), H<sub>0</sub> is rejected. This means that the ECDI (Economic Disclosure Index) partially has a positive and significant effect on ROE. The coefficient shows a positive value (0.005973).

Specifically, the significance of ECDI's influence on ROE can be interpreted as that investors who focus on equity profitability (ROE) are now starting to directly associate non-financial economic disclosure information with their *bottom-line* performance. Disclosures such as economic value generated and distributed

(GRI 201: Economic Performance) or indirect economic impacts (GRI 203: Indirect Economic Impacts) may already have generated *returns* for shareholders, or the market has effectively capitalized this information into equity valuations. This shows an increase in investor awareness and appreciation of sustainability information (Chandra & Shauki, 2024).

The effect of ENDI (*environmental disclosure index*) on ROE

Based on the results of the t-test, the ENDI (Environmental Disclosure Index) variable on ROE shows a t-statistical value of 0.749711. With an absolute value of t-statistics (0.749711) that is smaller than the value of t-tables (assuming 1.9955), and a significance value of 0.4568 that is greater than 0.05, H<sub>0</sub> is accepted. This shows that ENDI (Environmental Disclosure Index) partially has no significant effect on ROE. The coefficient shows a positive value (0.016927).

This hypothesis is in line with research by Tirsa Wartabone, Nilawati Yusuf, Nurhayati Panigoro in 2023 researching companies on the sharia stock index in Indonesia for the 2018-2021 period, they stated that the environmental aspect does not have a positive effect on the financial performance of ROA (Siddique et al., 2022). Ayu Indah Lestari's research in 2023 also found similar results. In his study that examined the influence of *the Sustainability Report* on the financial performance of banking companies listed on the Indonesia Stock Exchange for the 2015-2022 period, Lestari stated that the environmental and social disclosure dimensions have a negative but not significant influence on financial performance (which is proxied by ROA). The consistency of the findings of these studies, including this one, indicates that in certain contexts and periods, the disclosure of *sustainability reports* may not directly trigger a significant positive impact on financial performance.

However, these results are also different or not entirely in line with several other studies that have found a significant influence of similar variables on financial performance. For example, a study by Hanif Fauziah in 2024 that examined companies listed on the 2018 sharia securities list

found a significant positive influence between the disclosure of environmental aspects in *sustainability reports* and financial performance. The differences in results found in this study with some previous studies can be due to various factors, such as differences in the study period, characteristics of different samples or industry sectors, economic or regulatory contexts between countries, or even differences in the methodology and measurement of the variables used.

The effect of SODI (*social disclosure index*) on ROE

The results of the t-test for the SODI (Social Disclosure Index) variable on ROE showed a t- statistical value of 0.474480. Given that the absolute value of the t-statistic (0.474480) is smaller than the value of the t-table (assumption of 1.9955), and the significance value of 0.6365 which is greater than 0.05, H<sub>0</sub> is accepted. This means that SODI (Social Disclosure Index) partially has no significant effect on ROE. The SODI positive coefficient (0.011798) indicates a one-way relationship between social disclosure and ROE, but is not statistically significant (Ceylan et al., 2018).

These findings are consistent with research by Tirsa Wartabone, Nilawati Yusuf, and Nurhayati Panigoro in 2023 who examined companies on the sharia stock index in Indonesia for the 2018-2021 period, they stated that the social aspect does not have a positive effect on the financial performance of ROA. Research by R. Sri Handayani in 2023 that examined banking companies in Indonesia also found similar results that the disclosure of social aspects did not have a significant effect on financial performance.

This phenomenon can be further analyzed that although companies are active in social activities, such as disclosures about employment practices (GRI 401: Employment), employee training and education (GRI 404: Training and Education), or community engagement (GRI 413: Local Communities), their direct financial impact on equity profitability may not be immediately apparent or difficult to measure in the form of ROE. Spending on social activities such as CSR (*Corporate Social Responsibility*) programs can

be considered expenses in the short term and takes time to build a strong reputation and consumer loyalty that can ultimately increase sales and profitability (Khan et al., 2022). In addition, the awareness and *pressure* from the public or investors on the social aspects of the company may not be as strong as other aspects in influencing investment decisions that have a direct impact on ROE, especially in markets that may not be fully mature in assessing non-financial performance comprehensively (Harini & Siregar, 2020).

### **The effect of company size on ROE**

The coefficient for Variable Z was obtained of 0.028976 with a t-statistical value of 5.361771. The probability value (Prob.) for Z is 0.0000. Since this probability value (0.0000) is much smaller than the significance level of 0.05 (even 0.01), it can be concluded that partially, Variable Z has a positive and significant effect on the dependent variable (ROE). The positive coefficient indicates that there is a positive and statistically significant direction of the relationship.

The significant and positive influence of Company Size (Z) on Profitability (ROE) shows that the larger the size of the company, the higher the return on equity. Larger companies often have an advantage in terms of access to capital markets, business diversification, and the capacity to manage risk, all of which can contribute to better equity profitability. Large companies may also be more mature in their business cycles, so they are able to generate consistent and efficient returns in managing shareholder equity.

### **The effect of sustainability report disclosure on ROA**

The results of the simultaneous test (F Test) to test the effect of the *Sustainability Report Disclosure* (which includes the Economic/ECDI, Environmental/ENDI, and Social/SODI dimensions, together with the Control Variable Company Size/Z) on *the Return on Asset* (ROA) showed an F- statistical value of 2.888441. With a significance level of 0.027776 which is smaller than  $\alpha$  (0.05), this indicates that the Zero ( $H_0$ ) Hypothesis is rejected and the research hypothesis is accepted. This means that the disclosure of *the Sustainability Report* which includes ECDI,

ENDI, SODI, and company size variables (Z) collectively and simultaneously has a significant influence on the company's *Return on Asset* (ROA) (Wijayanti et al., 2021).

The significance of this simultaneous influence can be explained through the lens of Legitimacy Theory. This theory argues that companies operate in a 'social contract' with society, where the sustainability of their operations and growth is highly dependent on the legitimacy gained from stakeholders. To maintain or acquire this legitimacy, companies are required to ensure that their activities and disclosures are in line with applicable social norms and values. The disclosure of *the Sustainability Report* (SR) serves as a vital instrument for companies to demonstrate accountability and transparency regarding their non-financial performance, including economic, environmental, and social aspects (Chandra & Shauki, 2024).

Through comprehensive disclosures, companies can build a positive image and a solid reputation in the eyes of the public, investors, consumers, and regulators. A good corporate image, which reflects a commitment to sustainable practices, tends to increase investor confidence and investment attractiveness, potentially lowering the cost of capital and attracting greater cash flows. Investors, especially institutional investors who are increasingly ESG (*Environmental, Social, Governance*) aware, tend to allocate their capital to companies that have a strong sustainability track record, given the potential for lower reputational and operational risks.

These findings are consistent with previous research that showed a positive and significant relationship between sustainability disclosures and a company's financial performance. For example, a study by Yudi Pratama in 2022 and Situmorang C.V., & Simanjuntak, A. in 2024 found that the disclosure of non-financial information in *the Sustainability Report* is significantly positively correlated with profitability and company value, reinforcing the argument that socially and environmentally responsible business practices ultimately provide economic benefits for

companies.

### **The effect of sustainability report disclosure on ROE**

The results of the simultaneous test (F Test) to test the effect of the *Sustainability Report Disclosure* (which includes the Economic/ECDI, Environmental/ENDI, and Social/SODI dimensions, together with the Control Variable Company Size/Z) on the *Return on Equity* (ROE) showed an F- statistical value of 9.711906. With a significance level of 0.000002 which is much smaller than  $\alpha$  (0.05), this indicates that the Zero ( $H_0$ ) Hypothesis is rejected and the research hypothesis is accepted. This means that the disclosure of the *Sustainability Report* which includes ECDI, ENDI, SODI, and company size variables (Z) collectively and simultaneously has a significant influence on the company's *Return on Equity* (ROE).

The significance of this simultaneous influence can also be explained through the framework of Legitimacy Theory and its relevance to equity holders. The transparent and credible *disclosure of the Sustainability Report* allows the company to build a strong reputation and increase trust among equity investors. A good reputation in terms of sustainability can reduce the perception of investment risk for shareholders, as socially and environmentally responsible companies are often considered more stable, innovative, and adaptable to changing regulations or market demands. This has the potential to attract more investors looking for sustainable investment (SRI - *Socially Responsible Investment*), which in turn could increase the demand for company shares (Rayman-Bacchus, 2006).

These findings are consistent with previous research that showed a positive and significant relationship between sustainability disclosures and a company's financial performance. For example, a study by Yudi Pratama in 2022 and Situmorang C.V., & Simanjuntak, A. in 2024 found that the disclosure of non-financial information in the *Sustainability Report* is significantly positively correlated with profitability and company value, reinforcing the argument that socially and environmentally responsible business practices

ultimately provide economic benefits for companies.

The consistency of these results, both against ROE and ROA in simultaneous testing, indicates that, while the partial impact of each dimension of disclosure may not always be statistically significant, investors' holistic view of the company's commitment to sustainability—reflected in the comprehensive SR report—collectively exerts a positive influence. This shows that *stakeholders*, especially equity holders, increasingly consider the company's overall sustainability efforts as an indicator of good management, strong long-term business prospects, and the potential for increased company value. Thus, the simultaneous disclosure of SR provides legitimacy that leads to increased investor confidence, which in turn is reflected in the company's improved profitability performance, both measured by ROE.

### **CONCLUSION**

Overall, although the individual components of the Sustainability Report (economic, social, and environmental performance) do not have a partially significant effect on ROA and ROE, the regression model simultaneously shows significance to both financial performance indicators. This emphasizes the importance of viewing the Sustainability Report as a whole as a reflection of good corporate governance and long-term commitment. The Control Variable Company Size has a significant negative effect on ROA, indicating that business scale affects the efficiency of asset use, although not significantly on ROE. This study uses a sample of banking industry issuers that generally have high levels of sustainability disclosure, so that the variation between dimensions does not significantly differentiate performance, but sustainability reports in aggregate are still relevant in explaining profitability.

Based on these findings, several recommendations for future research are proposed. First, subsequent research should consider employing alternative financial performance metrics. Market-based ratios, such as Tobin's Q or Market Value Added (MVA), could be utilized

to capture the long-term, investor-perceived value of sustainability commitments, which short-term accounting ratios like ROA and ROE may not fully detect. Furthermore, it is crucial to incorporate moderating and mediating variables, such as Corporate Governance Quality or specific environmental risk ratings, to analyze the specific conditions under which SRD translates into a significant financial impact. Finally, given the findings related to Firm Size, future studies could conduct comparative analyses between large-scale and regional banks, and move beyond quantitative scores by integrating qualitative content analysis (e.g., using NLP) to assess the *quality* and *credibility* of the sustainability information being reported, rather than just its existence.

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