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The Impact of Sustainability Reports on the Financial Performance of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2019-2023

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Abstract: This study highlights the influence of sustainability reporting on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange (IDX). A quantitative research method was employed, utilizing secondary data obtained from annual and sustainability reports. The sample was selected using purposive sampling, comprising 45 observations from nine companies over five years. Data analysis was conducted using multiple linear regression with the assistance of IBM SPSS version 24. The test results show that the calculated t-value (0.643) is lower than the t-table value (2.017), and the significance value (0.524) exceeds the 0.05 threshold. Therefore, it can be concluded that sustainability reporting does not have a significant effect on a company's financial performance. This finding is presumed to occur due to the absence of strict regulations mandating high-quality

Abstrak: Kajian ini menyoroti pengaruh pelaporan keberlanjutan terhadap pencapaian kinerja keuangan pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI). Metode penelitian yang digunakan adalah kuantitatif dengan mengandalkan data sekunder yang bersumber dari laporan tahunan dan laporan keberlanjutan perusahaan. Sampel diambil secara purposive sampling, mencakup 45 observasi dari sembilan perusahaan selama lima tahun. Analisis data dilakukan menggunakan regresi linier berganda dengan bantuan IBM SPSS versi 24. Hasil pengujian menunjukkan bahwa nilai t hitung (0,643) lebih rendah dari t tabel (2,017) dan nilai signifikansi (0,524) berada di atas batas ambang 0,05. Dengan demikian, dapat disimpulkan bahwa pelaporan keberlanjutan tidak memberikan pengaruh yang signifikan terhadap kinerja keuangan perusahaan.

sustainability reporting and the lack of tangible incentives for companies that prepare comprehensive sustainability reports.	Temuan ini diduga terjadi karena belum adanya regulasi yang ketat dalam mewajibkan pelaporan keberlanjutan yang berkualitas tinggi serta belum tersedianya insentif nyata bagi perusahaan yang menyusun laporan keberlanjutan secara komprehensif.
Keywords: Sustainability Report; Financial Performance.	***Kata Kunci:*** Sustainability Report; Kinerja Keuangan.

A. Introduction

Sustainability reporting has become a major focus in the business world. This phenomenon requires companies to integrate financial sustainability not only as part of their ethical obligations but also as a crucial strategy to ensure long-term survival and growth. (Rosiana, R., Mimba, N. P. S. H., & Roisah, K, 2021) In a broader perspective, sustainability reports are not only related to the company's internal aspects, but also show responsibility towards the environment and society. (Pratiwi, A. D., & Rachmawati, D, 2020) The ethical obligations associated with financial sustainability highlight the importance of companies considering their impact on stakeholders, including employees, customers, and the general public. As entities operating in a society increasingly aware of environmental and social issues, companies must be able to integrate financial sustainability with ethical business principles. This is not merely an obligation, but an opportunity to build a positive reputation, strengthen stakeholder relationships, and create long-term value. (Wibowo, E. S., & Rahmawati, N, t.t.)

In line with the increasing awareness of sustainability principles, the existence of sustainability reports is becoming increasingly popular, although the number of companies in Indonesia that implement them is still relatively small compared to developed countries. Sustainability reports are based on the Global Reporting Initiative (GRI) standards, which serve as international guidelines for sustainability reporting. This report not only assesses financial performance, but also reveals the company's compliance with the law, business ethics, and involvement in sustainable development which covers three main pillars, namely economic aspects (profit), environment (planet), and social (people).(Dewi, I. P., Ariani, K. R., & Kurniawati, L, 2025) Thus, the existence of sustainability reports becomes a strategic instrument to demonstrate the company's commitment to creating long-term value.

Although the trend of sustainability reporting in Indonesia has increased from year to year, the number is still relatively low. Based on data from the National Center for Sustainability Reporting (NCSR), there was only one company that prepared a sustainability report in 2005, but this number increased to 120 by the end of 2016. Although it shows a significant increase, this number is still very small compared to all companies listed on the Indonesia Stock Exchange (IDX) and nationally.(Pratiwi, A. D., & Rachmawati, D, 2020) This fact shows that most companies have not fully integrated Environmental, Social, and Governance (ESG) principles into their business governance.

This situation is further reinforced by findings by Maria & Imelda (2021), who showed that of the 165 manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2023, 152 had not yet prepared sustainability reports. This means that only 13 companies have implemented this practice, reflecting low awareness of sustainability. This demonstrates a significant gap between the ideals of sustainable development and actual practices, necessitating stricter regulations and stronger internal incentives from companies to encourage compliance with sustainability reporting. (Mochamad Rizki Triansyah dkk., 2017)

Financial performance remains a fundamental indicator for measuring a company's success. This assessment is often conducted through financial statement analysis to assess the company's financial strengths and weaknesses. Investors tend to avoid companies with poor financial performance because they risk reducing trust and investment interest.(Anna Sumaryati & Novreza Putra Satoto, 2020) One indicator

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frequently used to assess financial performance is Return on Assets (ROA), which is formulated as:

$$ROA = \frac{Net\ Profit\ After\ Tax}{Total\ Assets}\ X\ 100\%$$

A high ROA indicates a company's ability to manage its assets efficiently, while a low ROA indicates resource management issues.

Data from the IDX's published financial reports for 2019–2023 shows fluctuations in ROA values across nine large Indonesian companies. For example, ASII exhibits a relatively consistent ROA with an average value of 1.256, while SIDO has the highest average, at 2.174. Conversely, a company like WTON exhibits a low average value (1.235). This variation indicates significant differences in asset management effectiveness across companies, which could be driven by investment strategies, operational management quality, or external market dynamics. This reinforces the importance of examining the relationship between sustainability practices and corporate financial performance.

Theoretical studies on sustainability reporting are often associated with stakeholder theory and legitimacy theory. Stakeholder theory asserts that companies have a close relationship with stakeholders, so the preparation of sustainability reports is a form of accountability in meeting their expectations. Through this transparency, companies can build public trust while strengthening competitiveness. (Ghozali, I., & Chariri, A, 2007) Meanwhile, legitimacy theory emphasizes that sustainability reporting is a company strategy to gain social legitimacy by demonstrating the alignment of business activities with societal norms, values, and expectations. These two theories serve as an important foundation in understanding the strategic role of sustainability reporting on a company's reputation and performance.

Previous research also shows diverse findings regarding the relationship between sustainability reports and financial performance. (Mochamad Rizki Triansyah dkk., 2017) stated that consistent sustainability reporting practices can improve the efficiency of asset utilization, as reflected in ROA. (Sabrina & Hendro Lukman, 2019) emphasized that sustainability reports serve not only as supplementary documents but also as strategic instruments in supporting sustainable growth. Meanwhile, (Leonardo Ivan dkk., 2023) highlighted that the adoption of GRI standards in Indonesia through the NCSR still requires quality improvement to be on par with global practices. Thus, there is considerable scope for empirically testing the relationship between the two in the developing Indonesian context.

The research gap is evident in the fact that most studies still focus on developed countries, while empirical research in Indonesia is still limited and inconsistent in demonstrating the correlation between sustainability reporting and financial performance. Furthermore, few studies have highlighted the latest data from manufacturing companies in Indonesia, particularly in the post-pandemic period, which has created significant dynamics in the business world. Therefore, this study offers a novel approach by examining the relationship between sustainability reporting and financial performance (ROA) in manufacturing companies in Indonesia, using the Sustainability Report Disclosure Index (SRDI), which is formulated as:

$$SRDI = \frac{n}{k}$$

With the following information: n = number of items disclosed by the company, and k = number of items according to GRI standards. (Leonardo Ivan dkk., 2023)

Based on the above description, it can be concluded that sustainability reporting in Indonesia still faces various challenges, both in terms of corporate awareness and the quality of report presentation. However, the potential of sustainability reports to drive better financial performance cannot be ignored. Therefore, this research is important to empirically examine the relationship between sustainability report implementation and financial performance, specifically using the ROA indicator for manufacturing companies listed on the IDX. This study is expected to provide theoretical contributions

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to the related literature, while also providing practical implications for companies and regulators in strengthening the implementation of ESG principles in Indonesia.

B. Research Methods

The quantitative method was applied in this study with the collected data being numerical and conducting statistical analysis. All manufacturing companies listed on the IDX from 2019 to 2023 have complete financial reports and prepare sustainability reports are the population of this study, utilizing secondary data sourced from the site www.idx.co.id and related company websites. The sample was selected using a purposive sampling technique, with a total of 9 companies that meet the criteria for a total of 45 observation data over five years. Data were collected through company annual report documents for the period 2019–2023. Data analysis used the multiple linear regression method run on IBM SPSS software version 24.

C. Results and Discussion

Results

1. Descriptive Statistics

Table 1

Hasil Analisis Statistik Deskriptif

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
sustainability report	45	.205	.880	.54142	.175202
kinerja keuangan	45	.195	.454	.31267	.076019
Valid N (listwise)	45				

Source: Data analysis using IBM SPSS version 24 (2024).

The Sustainability Report variable achieved a minimum value of 0.205 and a maximum value of 0.880, with an average of 0.54142 and a standard deviation

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of 0.175202. Meanwhile, the financial performance variable achieved a minimum value of 0.195, a maximum value of 0.454, and an average of 0.31267 and a standard deviation of 0.76019.

2. Classical Assumption Test

a. Normality Test

Table 2
Hasil Uji Normalitas

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		45
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.07565597
Most Extreme Differences	Absolute	.106
	Positive	.106
	Negative	-.088
Test Statistic		.106
Asymp. Sig. (2-tailed)		.200[c,d]

Source: Data analysis using IBM SPSS version 24 (2024)

According to the results in Table 2, the normality test shows an Asymp. Sig. (2-tailed) value of 0.200, greater than the significance limit of 0.05. This indicates that the sustainability report data on financial performance is normally distributed and worthy of further analysis.

b. Multicollinearity Test

Table 3

Hasil Uji Multikolinearitas

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	sustainability report	1.000	1.000

Source: data analysis using IBM SPSS version 24 (2024)

From Table 3, the sustainability report variable recorded a tolerance value of 1.000 (above 0.10) and a VIF value of 1.000 (below 10.00). Thus, there were no symptoms of multicollinearity in the regression model used.

c. Heteroscedasticity Test

Table 4

Hasil Uji Heteroskedastisitas

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.088	.021		4.174	.000
sustainability report	-.050	.037	-.201	-1.345	.186

Source: data analysis using IBM SPSS version 24 (2024).

Based on the results of the Glejser test, the significance value of the sustainability report variable is 0.186. Because this value is greater than 0.05, it can be concluded that this study does not experience heteroscedasticity.

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d. Autocorrelation Test

Table 5

Hasil Uji Autokorelasi

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.098[a]	.010	-.014	.076531	.666

Source: data analysis using IBM SPSS version 24 (2024).

Table 5 shows the autocorrelation results with a DW value of 0.666. The dL value in the Durbin table for k-1 and n = 45 is 1.475, and the dU value is 1.566. Therefore, the ratio dW (0.666) < dL (1.475) indicates autocorrelation in the data in this study. The presence of autocorrelation in the regression model can be addressed by creating new variables and applying data transformation.

One of the evidence transformation techniques applied in the study is the Cochrane-Orcutt method. This model is an iterative procedure that aims to improve the regression model by transforming the independent and dependent variables and incorporating lag elements from the previous residuals. This transformation aims to eliminate autocorrelation, so that the regression model meets classical assumptions and produces more accurate and reliable estimates. (Imam Ghozali, 2021)

Table 6

Hasil Uji Autokorelasi Metode *Cochrane-Orcutt*

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.146[a]	.021	-.002	.05519	1.898

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Source: data analysis using IBM SPSS version 24 (2024)

Given:

n = 45

d = 1.898

dL = 1.475

dU = 1.566

4-dL = 4 – 1.475 = 2.525

4 – dU = 4 – 1.566 = 2.434

In Table 7, the Durbin-Watson value obtained is 1.898. With one independent variable and a total sample of 45, based on the Durbin-Watson test criteria, the dU value is 1.566 and 4-dU is 2.434. Because the dW value is between dU and 4-dU (1.566 < 1.898 < 2.434), it can be concluded that there is no autocorrelation in the regression model. Therefore, the model follows classical assumptions and is suitable for further analysis.

3. Multiple Linear Regression Analysis

Table 7

Hasil Analisis Regresi Linier Berganda

Coefficients[a]						
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	.290	.037		7.740	.000
	sustainability report	.042	.066	.098	.643	.524

Source: data analysis using IBM SPSS version 24 (2024)

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The table above shows a constant value of 28.748, with a Sustainability Report of 0.042.

Y = 0.290 + 0.042X

This means:

1. A constant value of 0.290 indicates that when the independent variable (X) is equal to zero, the dependent variable (Y) has the potential to decrease by 0.290.
2. The positive regression coefficient of variable X of 0.042 indicates that every increase in X will be followed by an increase in Y, and conversely, a decrease in X will decrease Y.

4. Hypothesis

a. T Test

Table 8

Hasil Uji Persial (Uji T)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.290	.037		7.740	.000
	sustainability report	.042	.066	.098	.643	.524

Source: data analysis using IBM SPSS version 24 (2024).

The t-table calculation is performed using the formula Df = N – k – 1, so Df = 45 – 1 – 1 = 43.

The calculated t-value obtained through statistical analysis, namely (0.643), is below the t-table (2.016), while the significant value (0.524) is greater than 0.05. Thus, the sustainability report variable does not have a significant influence on financial performance.

b. Analysis of the Determination Coefficient (R2)

Table 9
Hasil Uji Koefesien Determinasi

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.098[a]	.010	-.014	.076531	.666

Source: data analysis using IBM SPSS version 24 (2024).

The coefficient of determination (R^2) indicates the model's ability to predict variations in the dependent variable, with a value range from 0 to 1. A small R^2 value indicates limited influence of the independent variable on the dependent variable. The data processing results show an R^2 of 0.098 (close to zero), indicating that sustainability reporting does not have a significant effect on financial performance.

Discussion

The results of a study examining the influence of sustainability reports on financial performance in manufacturing companies listed on the Indonesia Stock Exchange during the 2019-2023 period indicate, based on a partial t-test, a significance level of 0.524 (above 0.05) and a calculated t-value of 0.643 (below the t-table of 2.016). Therefore, the test results indicate that H0 is accepted and H1 is rejected, concluding that sustainability reports have no significant effect on financial performance.

Based on these findings, it can be concluded that increases or decreases in sustainability reports have no significant impact on financial performance. This means that any increase or decrease in sustainability reports does not lead to significant changes in financial performance. Many investors and stakeholders still focus more on financial reports such as net profit, revenue, and operational efficiency than on

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sustainability reports. The existence of sustainability reports has not yet become a primary factor influencing a company's financial performance.

When linked to stakeholder theory and legitimacy theory, these findings are inconsistent with their predictions. According to stakeholder theory, businesses must consider and meet the needs of all stakeholders, including shareholders, employees, customers, raw material suppliers, government agencies, and society as a whole. This ensures that sustainability reports strengthen trust and loyalty, leading to improved financial performance. Meanwhile, legitimacy theory suggests that companies publishing sustainability reports are expected to benefit financially from increased public trust and easier access to resources. However, in practice, many companies prepare these reports merely as a regulatory formality without truly implementing sustainability principles in their operations.

Based on the results of this and previous research, it is clear that sustainability reports prepared by companies are largely a formality to meet regulatory requirements, without any concrete implementation that could impact profitability. Investors focus more on financial performance than on sustainability reports. The main factors are low investor appreciation of non-financial information, the quality of report content that does not reflect strategic impacts, and weak regulations that encourage credible reporting. Other contributing factors include the long-term benefits of sustainability, while the high costs of implementation can depress short-term profits. Low sustainability literacy, minimal integration of reports with business strategy, and a market orientation that still focuses on quick profits contribute to investors' underestimation of sustainability information. In Islamic accounting, a sustainability report is a form of accountability to Allah SWT and all stakeholders (ummah), reflecting the principles of shiddiq (good faith) and amanah (trustworthiness).

This report should provide benefits (maslahah) and support sustainability, not simply be a formality. Islam encourages sustainable resource management for the welfare of current and future generations, as mandated by the just accounting principle in Surah Al-Baqarah: 282. Its integration ensures that businesses operate according to halal principles, are free from gharar (gharar), and maintain a balance between economic, social, and environmental aspects.

D. Conclusion

Based on the research results, analysis, and discussion presented previously, it can be concluded that the sustainability report has a calculated t-value of 0.643, which is smaller than the t-table value of 2.017. With a significance value of 0.524 > 0.05, it has no significant effect on financial performance. These results indicate that sustainability report disclosure by manufacturing companies has not yet had a direct impact on improving financial performance, as measured by Return on Assets (ROA).

Another contributing factor is the long-term benefits of sustainability, while the high implementation costs depress short-term profits. Low sustainability literacy, minimal integration of reports with business strategy, and a market orientation still focused on quick profits have resulted in less investor attention to sustainability information. From a sharia accounting perspective, sustainability reporting represents a form of accountability to Allah SWT and all stakeholders (the ummah), based on the principles of shiddiq, amanah, and maslahah. This report must be prepared in an honest, transparent, and integrated manner to ensure that business activities are carried out in accordance with halal principles, free from gharar, and maintain a balance between economic, social, and environmental aspects for the sustainability of current and future generations.

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