

THE EFFECT OF DISCLOSURE OF SUSTAINABLE DEVELOPMENT GOALS ON THE FINANCIAL PERFORMANCE OF BANKING COMPANIES IN INDONESIA

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ABSTRACT

This study aims to analyze the impact of Sustainable Development Goals (SDG) disclosure on the Return On Assets (ROA) of banking companies in Indonesia by considering the influence of debt-to-equity ratio (DER) control and company size (SIZE) to analyze the effect of disclosure of Sustainable Development Goals on Return On Equity (ROE) of banking companies in Indonesia by considering the influence of Debt to Equity Ratio (DER) control and company size (SIZE) and to analyze the effect of disclosure of Sustainable Development Goals on Return On Investment (ROI) of banking companies in Indonesia by considering the influence of Debt to Equity Ratio (DER) control and company size (SIZE). The data used in this research is secondary data sourced from the Annual Reports and Sustainability Reports of banking sector financial services companies listed on the Indonesia Stock Exchange (BEI) during the 2019-2023 period. The research sample was selected using a purposive sampling method so that 15 companies were obtained as samples. The data analysis used to test the hypothesis is panel data analysis using the Eviews 12 program. The results of the research show that this research shows that disclosure of sustainable development goals has a positive effect on ROA by considering the influence of Debt to Equity Ratio (DER) control and company size (SIZE), disclosure of sustainable development goals has a positive effect on ROE by considering the influence of Debt to Equity Ratio (DER) control and company size (SIZE), disclosure of sustainable development goals has a positive effect on ROI in banking companies in Indonesia by considering the influence of Debt to Equity Ratio (DER) control and company size (SIZE). This research provides important empirical evidence that can encourage banking companies to pay more attention to and integrate sustainable development goals in sustainable business strategies to achieve optimal financial performance and encourage regulations in more comprehensive and transparent SDG disclosures to help investors make better investment decisions. Appropriate and encourage investors to consider sustainability factors in their investment decisions.

Keywords: *sustainable development goals disclosure; return on assets; return on equity; return on investment; size; debt to equity ratio*

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INTRODUCTION

The company must be managed in a healthy manner to achieve efficiency and effectiveness and achieve achievable short-term and long-term goals. Compatibility with possible developments and the interests of society. Taking into account the interests of stakeholders in accordance with international standards and in compliance with applicable laws. It is integrated into all functions of the organization and, in this sense, includes both functions and products and services (Nicolo' et al., 2024). Therefore, to achieve efficiency and effectiveness to achieve short-term and long-term goals, a sustainability strategy is needed.

Research from Oxford University and Arabesque Partners suggests that companies with strong sustainability strategies, including SDG disclosure, tend to have better financial performance in the long term. The strategic importance of sustainability as an environmental, social, and governance issue for companies has a material impact on the company's risk profile, potential performance, and reputation, and thus, it has a financial impact on company performance. Strategic sustainability has a medium and long-term competitive advantage that

can be achieved through a broader orientation towards stakeholders (communities, suppliers, customers and employees) and shareholders. The management of sustainability issues needs to be deeply embedded into the culture and values of the organization (Clark L. et al., 2015).

The *World Commission on Environmental Development* (WCED) in 1987 formulated that sustainable development is a development that seeks to meet the needs of today without reducing the ability of future generations to meet their needs (Apriani, 2021). Indonesia is one of the countries bound by the *Paris Agreement*. The *Paris Agreement* is an international agreement related to climate change mitigation and adaptation efforts agreed at *The Conference of Parties 21 / UN Climate Change Conference (COP21)* in Paris in 2015, which contains guidelines to substantially reduce global GHG emissions and limit global temperature rise. Sustainable development aims to balance two interests at once, namely economic development and environmental preservation. Companies can realize measurable and transparent sustainable development by disclosing Sustainability Reports (Gutiérrez-Ponce & Wibowo, 2023).

As one of the economic actors that often causes environmental problems, companies must participate in realizing sustainable development (State of the Global Islamic Economy Report, 2023). Here, the banking company, as a business entity that provides various financial needs in the form of banking services, also has a very close social and economic impact. Although the impact on the environment is not the main concern, if you look at banking services operations, the company is indirectly related to the surrounding environment. The company can carry out sustainable development in a transparent and measurable manner by disclosing the Sustainability Report (Wicaksono, 2023).

As the function of a *financial intermediary*, banks have a role to channel funds for various purposes. Banks act as a distributor of capital to different markets, regions, sectors, or projects, or are able to have financial derivatives. These activities make banks considered influential and dominating in contributing to sustainable development (Krisciukaityte et al., 2023)..

In implementing the Sustainable Development Goals (SDGs), there are challenges that must be overcome, namely, being required to choose and have new and innovative thinking. Sustainable development has 17 target goals covering 3 areas, namely social, economic, and environmental (Correa-Mejía et al., 2024).. In recent times, information related to social, economic, political, and environmental issues is required and reported as part of the company's Annual Report. Because financial conditions are deemed unable to be used to guarantee the value of the company in a sustainable manner, which is a demand based on those who have an interest in the company's performance in the financial and non-financial fields which include social and environmental (Wicaksono, 2023).

With the problems related to environmental pollution committed by several companies, the government requires companies to implement corporate social responsibility and be accountable in the Sustainability Report. This also applies to the banking sector, corporate social responsibility is considered important to implement, because banks act as a distributor of capital to the community in the form of credit. Bank creditors, including entrepreneurs, borrow capital from banks to expand their business by opening new land (Buallay et al., 2020). The land clearing carried out by creditors causes several environmental damages, such as forest fires, logging, landslides, and floods. One example is the project funded by Bank Mandiri, BNI, and BRI, one of which is the Java 9 and 10 PLTU, and according to him based on Health impact modeling, there are an estimated 4,700 premature deaths due to the project's operations.

Therefore, it is hoped that banking companies can pay more attention to financing projects that are oriented towards improving the quality of the environment, such as making disclosures about responsibility for environmental and corporate social issues (Gaffar Ronaldo & Sri Handayani, 2023).

Although it is not the banking sector that does environmental damage, banks are indirectly responsible for environmental damage that occurs, because banks provide credit to entrepreneurs to carry out development. Even the banking sector has not cared about the environmental damage that occurred. Because of this, the government issued regulations regarding the implementation of *Corporate Social Responsibility* for the banking sector which are regulated in the Law and Government Regulations. For private banks, the implementation of CSR is regulated in Article 74 of Law No. 40 of 2007 concerning Limited Liability Companies, the implementation of which is regulated by PP No. 47 of 2012 related to social and environmental responsibility in limited liability companies, while in Law No. 25 of 2007 Article 15b related to investment and Law No. 32 of 2009 Article 22 Paragraph 1 related to environmental protection and management. As for banks within the scope of SOEs, corporate social responsibility is formulated in the form of partnership and community development programs whose practices are regulated in PP No. 3 of 1983 related to methods of guidance and supervision of work, Perum and Persero. In Law No.19 of 2003 concerning State-Owned Enterprises (BUMN), BUMNs are required to set aside their profits for the purposes of fostering the surrounding community (Elisa & Rahmadany, 2022).

Due to the lack of awareness of financial companies in Indonesia in making Sustainability Reports and the environmental damage that occurs is getting worse every year, the government through the Financial Services Authority (OJK) issued OJK regulation Number 51 / POJK.03 / 2017 concerning the application of sustainable finance for financial services institutions, Issuers, and Public Companies which requires companies to report Sustainability Reports for financial services institutions, especially for the Banking Sector (Andatu & Hilabi, 2023). These guidelines are guidelines for Commercial Banks, Rural Banks and Sharia People's Financing Banks in implementing sustainable finance.

Furthermore, through POJK Number 60/POJK.04/2017 concerning the Issuance and Requirements of Environmentally Sound Debt Securities (*Green Bond*), OJK also provides a regulatory framework for disclosure requirements, and the issuance of green bonds, based on the Category of Sustainable Business Activities (KKUB) which is the basis for the category of business activities to support the implementation of sustainable finance. This certainly helps the country become better and turn developing countries into developed countries, making the country prosperous and quality because it is supported by three basic pillars, namely economic, social and environmental. Therefore, the company participates in implementing the *green economy*. OJK has issued a sustainable finance roadmap that emphasizes the importance of SDG disclosure to ensure compliance with the KKUB and gain access to green finance (Financial Services Authority, 2021). Among other things, cooperation involving various parties to mitigate and adapt to climate change is the main solution in ensuring that supporting investments meet the sustainable category by integrating ESG aspects. In this context, the Financial Services Sector has an important role in accelerating the economic recovery process through changing conventional business patterns to sustainable ones.

Financial performance is the result or achievement that has been obtained by company management through effective management of company assets over a certain time. Company performance is considered important because the company's main goal is to make a profit, so stakeholders encourage companies to manage assets effectively. The measurement of company performance in this study uses *Return On Assets* (ROA), *Return On Equity* (ROE) and *Return On Investment* (ROI) (Lewar et al., 2023).

ROA measures how well a company is able to generate profit from its assets, the higher the ROA, the more efficiently the company manages its assets. ROE considers the net profit a company makes in relation to its shareholders' equity. It focuses on how well the company uses shareholder funds to generate profits. ROE can give an idea of the extent to which a company is delivering value to its shareholders. ROI helps you assess how profitable an investment is. It is a very important metric for investors as it helps them decide whether a project or investment is a good investment or not. ROI takes into account the costs and revenues associated with an investment (Lewar et al., 2023).

The results of previous research have discussed the effect of Sustainable Development Goals on company performance by measuring company performance using profitability, liquidity, *dividend* payments, *good corporate governance*, including research conducted by (Lawati & Hussainey, 2022) which shows that the implementation of sustainability in Omani financial institutions has a positive and significant impact on company performance. The results show that companies have taken great initiatives in implementing SDG practices, which will improve the reputation and viability of the company in the eyes of stakeholders and will increase business survival. Furthermore, research conducted by (Suaidah, 2020) This study measures financial performance using the level of profitability, liquidity, and solvency, the results show that the disclosure of SDGs on financial performance as measured by profitability (*Return On Asset*) has a positive effect, while the measurement of liquidity (*Current Ratio*) and solvency (*Debt to Equity Ratio*) has a negative effect.

Research conducted by (Rahmah et al., 2019) In this study, financial performance is measured by the level of profitability, liquidity level, and dividend payout ratio, the results of research in Indonesia show that the disclosure of SDGs is able to increase the level of company profitability, is able to increase *stakeholder* support, and disclosure of SDGs is the company's responsibility for economic, environmental and social issues. While in Thailand, the disclosure of SDGs has no effect on the level of profitability as measured by *Return On Asset*, the disclosure of Sustainability Report is able to affect the level of the company's ability to meet short-term obligations.

From previous research, there are inconsistencies in research results related to the level of profitability as measured by *Return On Asset* so that research needs to be done again. In addition, there is one important fact that companies in measuring profitability are only measured by *Return On Asset* (ROA), while there are other measurement ratios in measuring profitability levels such as *Return On Equity* (ROE) and *Return On Investment* (ROI). Therefore, researchers are interested in conducting research that focuses on analyzing the effect of SDG disclosure on the financial performance of banking companies submitted in the Sustainability Report. In addition, this study also measures profitability using *Return On Asset* (ROA), *Return On Equity* (ROE) and *Return On Investment* (ROI) as dependent variables.

METHOD

The research method in this study uses causal quantitative research, this research approach aims to determine the cause-and-effect relationship between the independent variable and the dependent variable (Sugiyono, 2019). The data in this study are *cross sectional* data. This is because this study only collects samples of time and events during a certain period of time. The data used in this study are secondary data sourced from annual reports and sustainability reports of banking sector financial services companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period. The research sample was selected using *purposive sampling* method so that 15 banking subsector companies were obtained as samples. The data analysis used for hypothesis testing is panel data analysis, data testing, namely descriptive statistics, classical assumption tests, and then hypothesis testing using the *Eviews 12* program.

RESULTS AND DISCUSSION

The results of descriptive statistical analysis obtained include the mean, minimum, maximum and standard deviation values. The number of companies used is 15 companies with the type of data is time series. The results of the statistical analysis are explained as follows:

Table 1. Descriptive Statistics

	ROA	ROE	ROI	TPB	DER	SIZE
Mean	0.019613	0.116747	0.147933	0.738053	6.091653	19.37040
Maximum	0.091000	0.260000	0.907000	1.000000	16.07900	21.50000
Minimum	0.001000	0.009000	0.002000	0.176000	1.442000	16.54900
Std. Dev.	0.016408	0.052047	0.120086	0.297165	2.808703	1.226327
Observations	75	75	75	75	75	75

For the ROA variable, the average ROA value is 0.0196 with a minimum value of 0.0010 and a maximum value of 0.091. A high ROA value indicates that the company has effective management in using company assets to generate profits, has a good business strategy that generates high profits and has an optimal capital structure. Meanwhile, a low ROA value indicates that the company has ineffective management in using the company's assets to generate profits, has a bad business strategy that results in low profits and has an unoptimal capital structure. The higher the ROA, the more efficient the company is in using its assets (Rahmi et al., 2022). The standard deviation value of ROA data throughout the 5-year time span of 0.0164 is smaller than the average value, so the movement of ROA data of 15 companies tends to be homogeneous/not varied.

For the ROE variable, the average ROE value is 0.1167 with a minimum value of 0.009 and a maximum value of 0.26. A high ROE value indicates that the company has effective management in using shareholders' capital to generate profits, has a good business strategy that generates high profits, and has an optimal capital structure. Meanwhile, a low ROE value indicates that the company has ineffective management in using shareholders' capital to generate profits, has a bad business strategy that generates low profits, and has a non-optimal capital structure. The higher the ROE, the higher the profitability of the company for its shareholders (Shenurtti et al., 2022).. The standard deviation value of ROA data throughout the 5-year time span of 0.052 is smaller than the average value, so the movement of ROE data of 15 companies tends to be homogeneous / does not vary.

For the ROI variable, the average ROI value is 0.1479 with a minimum value of 0.002 and a maximum value of 0.9070. A high ROI value indicates that the company has made good investment decisions, company management has used capital effectively to generate profits and the company has a competitive advantage in the market. Whereas a low ROI value indicates that the company may have made poor investment decisions, the company's management is not

using capital effectively and the company may have a competitive disadvantage in the market. The higher the ROI, the more efficient and profitable the investment. (Sandry & Rosa, 2023). The standard deviation value of ROI data throughout the 5-year time span of 0.1201 is smaller than the average value, so the movement of ROI data of 15 companies tends to be homogeneous/not varied.

For the SDG disclosure variable, the average SDG disclosure value is 0.7381 or 73.81% with a minimum value of 0.1760 (17.5%) and a maximum disclosure value of 1 (100%). The standard deviation value of SDG data throughout the 5-year time span of 0.2972 (72.65%) is smaller than the average value, so that the movement of SDG disclosure data in 15 companies tends to be homogeneous/not varied. High SDG Disclosure Values indicate that company management has a good understanding of and is committed to SDGs, sustainability-related risks are well managed, focus on long-term sustainable goals, easily attract investors and customers who care about sustainability, improve company reputation and more easily achieve SDGs. Meanwhile, a low SDG disclosure score indicates that company management does not understand and is committed to SDGs, sustainability-related risks are not well managed, there is less focus on long-term sustainable goals, difficulties in attracting investors and customers who care about sustainability, the company's reputation can be tarnished and difficulties in achieving SDGs. (Alfiah & Arsjah, 2021).

For the DER variable, the average DER value is 6.0917 with a minimum value of 1.442 and a maximum value of 16.079. Debt-to-Equity Ratio (DER), or debt-to-equity ratio, is one of the commonly used leverage metrics to measure the extent to which a company finances its operations with debt compared to its own capital (equity). DER is calculated by dividing a company's total liabilities by its total equity. A high DER indicates that the company has a higher proportion of debt compared to its equity. This may indicate that the company is at higher risk because it is more vulnerable to fluctuations in interest rates and economic conditions. Meanwhile, a low DER indicates that the company has a higher proportion of equity compared to debt. This may indicate that the company is more stable and has less financial risk. (Nurhikmawaty et al., 2020). The standard deviation value of DER data over a 5-year span of 2.8087 is smaller than the average value, so the movement of DER data for 15 companies tends to be homogeneous / does not vary.

For the Size variable, the average Size value is 19.3704 with a minimum value of 16.549 and a maximum value of 21.5. SIZE or the natural logarithm of total assets, is a variable commonly used in accounting research to measure company size. SIZE is calculated by taking the natural logarithm of the company's total assets in a certain period. A high SIZE value indicates that the company has large total assets because it tends to have a fairly good reputation in the eyes of the public, so it is not difficult to get loans in obtaining external capital for a lot of debt capacity. Meanwhile, a low SIZE value indicates that the company has small total assets. (Octaviani, 2023). The standard deviation value of Size data throughout the 5-year time span of 1.2263 is smaller than the average value, so the movement of Size data of 15 companies tends to be homogeneous/not varied.

1. Classical Assumption Test

a. Normality Test

The normality test aims to test whether in the regression model, the dependent variable and the independent variable both have a normal distribution or not. (Sugiyono, 2019). Data that is good and suitable for use in this study is data that has a normal distribution.

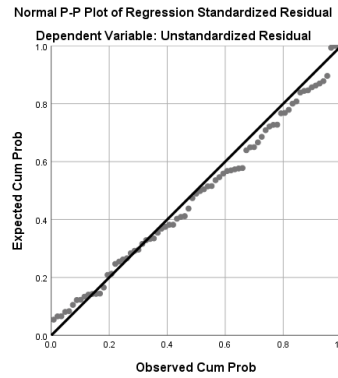


Figure 1. Normality Test Probability Plot Model ROA

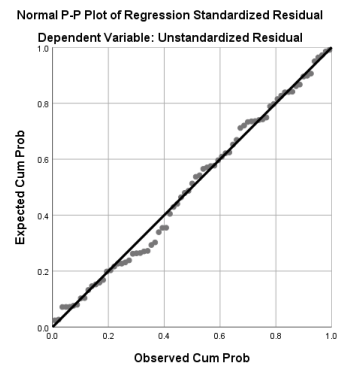


Figure 2. Normality Test Probability Plot Model ROE

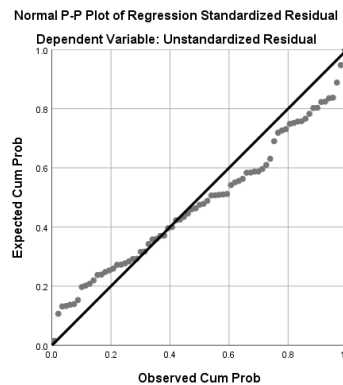


Figure 3. Probability Plot Normality Test of ROI Model

Based on the output chart Figure 1, Figure 2 and Figure 3, it shows that the plotting points in the "Normal P-Plot of Regression Standardized Residual" image always follow and approach the diagonal line so that it can be concluded that the residual value is normally distributed, meaning that the normality assumption for the residual value in multiple linear regression for the ROA, ROE and ROI models can be fulfilled.

b. Multicollinearity Test

The multicollinearity test aims to detect whether there is a relationship between the independent variables or not. One of the multicollinearity determinations can use matrix correlation with the assumption that if the correlation value is more than 0.7 then multicollinearity between the independent variables is detected, but if the value is ≤ 0.7 then the independent variables do not contain multicollinearity. Based on the output (attachment), it shows that there is no multicollinearity between the independent

variables and the control variables of TPB disclosure, DER and Size because the correlation value is below 0.7 each for the ROA, ROE and ROI models.

c. Heteroscedasticity Test

To detect heteroscedasticity, a comparison of the *sum squared resid weighted* and *unweighted* values can be used. If the *sum squared weighted* value is smaller than the *sum squared unweighted* value, the model is said not to contain heteroscedasticity. Conversely, if the *sum squared weighted* value is greater than the *sum squared unweighted* value, the model is said to contain heteroscedasticity. The results of the comparison of *sum squared resid weighted* and *unweighted* can be seen in the table below:

Table 2. Heteroscedasticity Test Results

Model	Unweighted Sums Squared Resid Value	Weighted Sums Squared Resid Value	Conclusion
ROA	0.015158	0.008386	No Heteroscedasticity
ROE	0.189599	0.179213	No Heteroscedasticity
ROI	0.644751	0.541403	No Heteroscedasticity

Based on the table above, it shows that the ROA, ROE, ROI models do not detect heteroscedasticity because the *Weighted Sums Squared Resid* value is smaller than the *Unweighted Sums Squared Resid* value.

d. Autocorrelation Test Results

A good regression model is one that is free from autocorrelation. There are several ways that can be used to detect the presence or absence of autocorrelation. An approach that is often used to test the presence or absence of autocorrelation is the Durbin-Watson test (DW test). (Ghozali, 2018). Conclusion in the Durbin Watson Test to determine whether or not there is an autocorrelation problem.

Table 3. Autocorrelation Test Results

Model	Durbin Watson				Initial Model		Weighted Model	
	DL	DU	4-DU	4-DL	DW Unweighted	Conclusion	DW Weighted	Conclusion
ROA	1.5432	1.7092	2.208	2.4568	0.42636	Positive Autocorrelation	1.627734	Inconclusive
ROE	1.5432	1.7092	2.208	2.4568	0.646316	Positive Autocorrelation	1.555630	Inconclusive
ROI	1.5432	1.7092	2.208	2.4568	1.105563	Positive Autocorrelation	1.561743	Inconclusive

Based on the table above, both ROA, ROE and ROI before treatment show the results of positive autocorrelation, this is evidenced by the statistical durbin watson value which is below the lower durbin watson value, but after treatment using weighted, the results obtained are better because the statistical durbin watson value is between the DL and DU values which are in the *gray area (Inconclusive)*.

Based on the results of classical assumption testing, it is found that in the ROA, ROE and ROI models there are no violations of classical assumptions, namely normally distributed data, there is no multicollinearity and heteroscedasticity and the classical assumption test is in the inconclusive/grey area, so based on this, hypothesis testing can be continued on the three models.

2. Goodness of Fit Test

The *Goodness of Fit* (GoF) test is known by looking at the Q-square value. The Q-square value has the same meaning as the *coefficient of determination* (R-square) in regression analysis, namely where the higher the Q-square value, the model is considered fit with the data, but conversely, if the Q-square value is lower, the model is considered not

fit with the data.

Table 5 . Goodness of Fit Model Results

Model	Adjusted R Square
ROA	0.264740
ROE	0.114310
ROI	0.420783

The *Goodness of Fit Model* test results are shown in the table above, for the ROA model has an adjusted *R-Squared* value of 0.2647 or 26.47%. This can be interpreted that the variation of the *TPB* disclosure variable, *DER and Size* in explaining the *ROA* variable is 26.47%, the rest is explained by other factors not contained in the model, assuming *ceteris paribus*.

The ROE model has an adjusted *R-Squared* value of 0.11431 or 11.431%. This can be interpreted that the variation of the *TPB* disclosure variable, *DER and Size* in explaining the *ROE* variable is 11.431%, the rest is explained by other factors not contained in the model, assuming *ceteris paribus*.

The ROI model has an adjusted *R-Squared* value of 0.420783 or 42.0783%. This can be interpreted that the variation of the *TPB* disclosure variable, *DER and Size* in explaining the *ROI* variable is 42.0783%, the rest is explained by other factors not contained in the model, assuming *ceteris paribus*.

3. Hypothesis Test

a. Individual/Partial Hypothesis Test

Individual / partial hypothesis testing shows how far the influence of one independent variable individually in explaining the dependent variable or control variable individually in explaining the dependent variable. (Ghozali, 2018). The basis for decision making for individual / partial hypothesis testing is:

Table 6 . Individual / Partial Test Results of Independent Variables on Dependent

Hypothesis	Coefficient	Sig t. statistic	Conclusion	Description
Hypothesis 1: Disclosure of Sustainable Development Goals has a positive effect on Return On Asset (ROA) by considering the control effect of Debt to Equity Ratio (DER) and company size (SIZE).	0.008486	0.0057	Ho1 is rejected	Hypothesis 1 is supported
Hypothesis 2: Disclosure of Sustainable Development Goals has a positive effect on Return On Equity (ROE) by considering the control effect of Debt to Equity Ratio (DER) and company size (SIZE).	0.055042	0.0014	Ho2 is rejected	Hypothesis 2 is supported

Hypothesis	Coefficient	Sig t. statistic	Conclusion	Description
Hypothesis 3: Disclosure of Sustainable Development Goals has a positive effect on <i>Return On Investment</i> (ROI) by considering the control effect of <i>Debt to Equity Ratio</i> (DER) and company size (SIZE).	0.122074	0.0001	Ho3 is rejected	Hypothesis 3 is supported

Table 6 shows that the coefficient value of SDG disclosure is positive 0.008486 with a significance of 0.00285 (0.0057/2) which is smaller than $\alpha = 0.05$, so Ho is rejected, meaning that statistically SDG disclosure has a significant and positive effect on the company's ROA. The resulting effect of 0.008486 means that if the company's TPB disclosure increases by 1 unit, the company's ROA will increase by 0.008486 units, ceteris paribus. The disclosure of TPB is positive 0.055042 with a significance of 0.0007 (0.0014/2) smaller when compared to $\alpha = 0.05$, so Ho is rejected, meaning that statistically the disclosure of TPB has a significant and positive effect on the company's ROE. The resulting effect of 0.055042 means that if the company's TPB disclosure increases by 1 unit, the company's ROE will increase by 0.055042 units, ceteris paribus. The disclosure of TPB is positive 0.122074 with a significance of 0.00005 (0.0001/2) smaller when compared to $\alpha = 0.05$, so Ho is rejected, meaning that statistically the disclosure of TPB has a significant and positive effect on the company's ROI. The resulting effect of 0.122074 means that if the company's TPB disclosure increases by 1 unit, the company's ROI will increase by 0.055042 units, ceteris paribus.

Based on the results above, it shows that by looking at the coefficient, the greatest influence of SDG disclosure is on *Return On Investment*, followed by *Return On Equity*, and *Return On Asset*.

Table 7 . Individual/Partial Test Results of Control Variables on ROA

Dependent Variable: ROA				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	-0.001828	0.000391	-4.672553	0.0000
SIZE	0.000307	0.000871	0.352415	0.7256

For the ROA model, the only control variable that has a significant effect is DER because the sig. t statistic value of 0.000 is smaller than $\alpha = 0.05$, and the resulting coefficient is negatively 0.001828. The resulting effect of negative 0.001828 means that if the company's DER increases by 1 unit, the company's ROA will decrease by 0.001828 units, ceteris paribus. Meanwhile, the size variable has no significant effect on the company's ROA because the sig. t statistic is more than $\alpha = 0.05$.

Table 8. Individual/Partial Test Results of Control Variables on ROE

Dependent Variable: ROE				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	-0.001754	0.002100	-0.835099	0.4065
SIZE	0.004191	0.004731	0.885723	0.3788

For the ROE model, it shows that none of the control variables either DER or Size has a significant effect on the company's ROE because the sig. t statistic is more than $\alpha = 0.05$.

Table 9 . Individual/Partial Test Results of Control Variables on ROI

Variable	Dependent Variable: ROI			
	Coefficient	Std. Error	t-Statistic	Prob.
DER	-0.019679	0.004152	-4.739647	0.0000
SIZE	-0.008784	0.008071	-1.088283	0.2802

For the ROI model, the only control variable that has a significant influence is DER because the sig. t statistic value of 0.000 is smaller than $\alpha = 0.05$, and the resulting coefficient is negatively 0.019679. The resulting effect of negative 0.019679 means that if the company's DER increases by 1 unit, the company's ROI will decrease by 0.019679 units, *ceteris paribus*. Meanwhile, the size variable has no significant effect on the company's ROI because the sig. t statistic is more than $\alpha = 0.05$.

Based on the results of the control variable coefficients above, the DER control variable has the greatest influence on ROI, followed by the effect of DER on ROA.

b. Simultaneous Test

Simultaneous test hypothesis testing is used to see whether the overall independent variable has an influence on the dependent variable. (Ghozali, 2018). The F test is carried out by using the significance level used in this study by involving the probability value. The basis for decision making is:

Table 10. Simultaneous Test Results

Model	P Value F statistic
ROA	0.000016
ROE	0.008737
ROI	0.000000

For the simultaneous test results based on Table 10 shows that the ROA, ROE, and ROI models have a sig F statistical value of 0.000016; 0.008737; 0.000000 respectively, which is smaller when compared to $\alpha = 0.05$. This can be interpreted that there is at least one of the independent variables and control variables, namely the TPB disclosure variable, DER and Size on company profitability (ROA, ROE, ROI), assuming *ceteris paribus*.

The Effect of Disclosure of Sustainable Development Goals on Return On Asset (ROA) by considering the control effect of Debt to Equity Ratio (DER) and company size (SIZE).

Based on the individual/partial test results, it shows that the coefficient value of SDG disclosure is positive 0.008486 with a significance of 0.00285 (0.0057/2) which is smaller than $\alpha = 0.05$, so H_0 is rejected, meaning that statistically SDG disclosure has a significant and positive effect on company ROA. Meanwhile, based on the simultaneous test results, it shows that the ROA model has a sig F statistical value of 0.000016 which is smaller than $\alpha = 0.05$, so H_0 is rejected. This can be interpreted that there is at least one of the independent variables and control variables, namely the TPB disclosure variable, DER and Size to ROA, with the assumption of *ceteris paribus*. The results of this study are in line with previous research conducted by (Eliyana & Subakir, 2020) which shows that the disclosure of sustainable development goals affects ROA. However, it is not in line with the results of research conducted by (Fadilla & Yuliandhari, 2018) which states that the disclosure of sustainable development goals has no effect on the profitability variable projected by ROA.

The positive relationship between Economic Indicators in the disclosure of sustainable development goals and corporate profitability, especially ROA, can be explained based on changes in the level of corporate profits. Banks in the research sample generally have an increasing trend from the beginning of the sample period to the end of the period. Disclosure of sustainable development goals also has a trend in almost all banks in the research sample.

This shows that all banks in the research sample have sufficiently understood SDGs and have disclosed their activities related to SDGs in the Sustainability Report.

Although there are additional costs in achieving sustainable development goals, the impact of increased profits received by the company is greater than the costs incurred in the company's activities related to SDGs. However, the implementation of SDGs in the company's business strategy is able to increase the company's sustainability value by developing value-added products through innovation and social friendliness so as to reduce costs, be able to identify business opportunities, strengthen stakeholder relationships, improve efficient resource management and stabilize the community and market economy. As expressed by (Alfiah & Arsjah, 2021) that the effect of company disclosure related to SDGs on ROA has a significant positive effect, namely the company applies SDGs in its business operations strategy and provides a transparent explanation of sustainable development based on the *triple bottom line* which will encourage them to engage in extensive sustainability disclosure practices, this will attract *stakeholder* attention which has an impact on increasing company profits.

Based on the explanation above, it can be concluded that the positive effect of disclosure of sustainable development goals on ROA in banking sector financial services companies is due to the practice of disclosing extensive sustainability that will attract the attention of *stakeholders* which has an impact on increasing the increase in corporate profits which has an impact on ROA.

The Effect of Disclosure of Sustainable Development Goals on Return On Equity (ROE) by considering the control effect of Debt to Equity Ratio (DER) and company size (SIZE)

Based on the individual/partial test results, it shows that the coefficient value of SDG disclosure is positive 0.055042 with a significance of 0.0007 (0.0014/2) smaller than $\alpha = 0.05$, so H_0 is rejected, meaning that statistically SDG disclosure has a significant and positive effect on the company's ROE. Meanwhile, based on the simultaneous test results, it shows that the ROE model has a sig F statistical value of 0.008737 which is smaller than $\alpha = 0.05$, so H_0 is rejected. This can be interpreted that there is at least one of the independent variables and control variables, namely the TPB disclosure variable, DER and Size on ROE with the assumption of *ceteris paribus*.

This study found that the disclosure of sustainable development goals has a significant and positive effect on bank *Return On Equity* (ROE). In line with research (Farida, 2022) that the disclosure of SDGs has a significant positive effect on financial performance calculated by the company's ROE. This shows that banks that actively disclose their commitment to sustainable development to shareholders. One of the company's operations is to generate profits that benefit shareholders. The measure of the successful achievement of this reason is the ROE figure achieved. The greater the *Return On Equity* (ROE) reflects the company's ability to generate high profits for shareholders. (Shenurti et al., 2022).. So that with the disclosure of SDGs, it can be useful for all stakeholders in generating profits regarding the company's future prospects.

Legitimacy theory can also support the relationship between the quality of SDG disclosure and ROE. *Return On Equity* (ROE) is a measurement of financial performance for investors to assess how much company equity can generate corporate profits. The component of ROE calculation is equity or capital provided by shareholders. The greater the ROE, the greater the possibility of investors providing capital to the company. Therefore, ROE can be a measurement that shows how SDG disclosure can provide a positive response from investors.

Based on the explanation above, it can be concluded that the positive effect of disclosure of sustainable development goals on ROE in financial services companies in the banking sector because ROE can be a measurement that shows how the disclosure of SDGs is able to provide

a positive response from investors. The higher the ROE, the higher the company's ability to manage capital effectively in generating high profits for shareholders.

The Effect of Disclosure of Sustainable Development Goals on Return On Investment (ROI) by considering the control effect of Debt to Equity Ratio (DER) and company size (SIZE)

Based on the results of the individual/partial test, it shows that the coefficient value of SDG disclosure is positive 0.122074 with a significance of 0.00005 (0.0001/2) smaller when compared to $\alpha = 0.05$, so H_0 is rejected, meaning that statistically the disclosure of SDG has a significant and positive effect on the company's ROI. Meanwhile, based on the simultaneous test results, it shows that the ROI model has a sig F statistik value of 0.000000, which is smaller than $\alpha = 0.05$, so H_0 is rejected. This can be interpreted that there is at least one of the independent variables and control variables, namely the TPB disclosure variable, DER and Size on ROI with the assumption of *ceteris paribus*.

The results showed that the disclosure of sustainable development goals has a positive effect on ROI. This shows the effectiveness of management in managing its investment. The disclosure of SDGs shows that the company has good prospects in the future and tries to increase its profitability so that investors get a net profit from an investment. The Return On Investment (ROI) ratio can measure the level of management effectiveness in managing its investment. The greater the result of this ratio, the better the value will be. So that ROI is very important in an effort to maintain the continuity of a company's economic activities in the short and long term.

The Sustainability Report is one of the media for companies to attract investors and the public's interest in the company. The greater the positive response from the public to the company's activities, it will have an impact on improving the company's performance and ability to earn profits and can affect the company's profitability level. (Gaffar Ronaldo & Sri Handayani, 2023). Along with the increasing attention to sustainable development goals, transparent and comprehensive disclosure of SDGs can have a positive impact on banking companies, such as increasing investor confidence, operating efficiency, competitiveness, and risk management.

Based on the explanation above, it can be concluded that the disclosure of sustainable development goals has a positive effect on ROI. The existence of SDG disclosure shows that the company has good prospects in the future and tries to increase its profitability so that investors get the net profit obtained from an investment. The greater the positive response from *stakeholders* to the company's sustainability activities, it will have an impact on improving the company's performance and ability to earn profits and can affect the level of profitability which has an impact on ROI.

CONCLUSION

Based on the results of the research and discussion, it can be concluded that the disclosure of sustainable development goals (SDGs) has a positive effect on financial performance, as evidenced by its impact on Return on Asset (ROA), Return on Equity (ROE), and Return on Investment (ROI) in banking sector financial services companies in Indonesia. This study highlights that SDG disclosures not only enhance transparency and accountability but also significantly improve financial performance, particularly ROA, by considering the control effects of Debt to Equity Ratio (DER) and company size (SIZE). Banking sector companies that actively disclose and implement sustainability initiatives tend to exhibit better financial performance, making this an important factor in business strategies aimed at achieving sustainable profitability.

Furthermore, the research reveals a positive correlation between SDG disclosure and ROE, showing that companies committed to sustainable development also achieve higher capital efficiency. This suggests that investors respond positively to SDG disclosures, as reflected in improved ROE, with companies demonstrating better capital management and profitability. The study underscores the importance of comprehensive and transparent SDG disclosure, encouraging regulatory attention and guiding investors in making more informed decisions.

Additionally, SDG disclosure positively influences ROI, further highlighting its role in operational efficiency, risk management, and corporate competitiveness. By improving corporate transparency and accountability, SDG initiatives indicate better future prospects, enhancing a company's ability to generate profits and increasing investor confidence. This study provides empirical evidence that sustainability factors, as reflected in SDG disclosures, are key indicators of a company's profitability and investment efficiency, driving better performance and profitability for banking sector financial services companies.

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