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The Effect of Sustainability Report Disclosure on Profitability in Banks

Rahma Ayu Nandika*, Zaenal Abidin
Institut Keuangan Perbankan dan Informatika Asia, Indonesia
Email: rahma.ayu08@perbanas.id, zaenal@perbanas.id

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Economic Performance; Environmental Performance; Profitability; Social Performance; Sustainability Report

ABSTRACT

This study analyzes the effect of sustainability report disclosure on profitability in the ten largest commercial banks in Indonesia for the 2022–2024 period. Profitability is measured using Return on Asset (ROA), while sustainability report disclosure is assessed from economic, environmental, and social performance based on the Global Reporting Initiative (GRI) Standard. The study used a purposive sampling method with panel data regression analysis using Eviews 10 software. The results of the study show that overall, sustainability reports have a positive effect on the company's profitability. Partially, economic performance and social performance show a significant influence on profitability, while environmental performance shows no significant influence. These findings provide important implications for bank management in developing sustainability strategies and reporting transparency. The research contributes to understanding the complex relationship between sustainability disclosure and financial performance in the banking sector, offering insights for optimizing sustainability initiatives while maintaining profitability. Furthermore, this study provides empirical evidence for regulators to refine sustainability reporting frameworks and for investors to better evaluate banks' long-term value creation through ESG practices.

INTRODUCTION

The banking industry has a strategic role in boosting the economy of a country, including Indonesia. The existence of the banking industry can increase economic growth through credit distribution and increased investment. Banks help micro and medium enterprises obtain working capital, which has an impact on economic growth (Owolabi & Nasiru, 2017; Rosyadah, Mus, Semmaila, & Chalid, 2022; Tambunan, Enuh, Ubaidullah, & Tamba, 2022). The banking sector is the largest sector in the Indonesian capital market, with the capitalization of the financial industry contributing 35% of the total market capitalization on the Indonesia Stock Exchange (IDX), where 95% of the capitalization of the financial sector comes from the banking industry.

Based on information from Bisnis.com (2025), Bank Mandiri, BRI, BCA, BNI, and BTN dominate the largest assets by entering the top five group. Meanwhile, Bank OCBC NISP recorded the largest asset growth with 16.1%. In the banking industry, Environmental, Social, and Governance (ESG) principles are increasingly being incorporated into sustainable business approaches. Several major banks in Indonesia have included ESG policies in order to maintain the sustainability of their operations.

Increasingly stringent sustainability-related regulations encourage transparency in the disclosure of sustainability information (Alcaraz-Quiles, Navarro-Galera, & Ortiz-Rodríguez, 2020; Aureli, Del Baldo, Lombardi, & Nappo, 2020; Kazemi, Mehrani, & Homayoun, 2025; Sun, Su, Cai, & Bai, 2025). The Financial Services Authority (OJK) through POJK No. 51/POJK.03/2017 has mandated financial institutions, issuers, and public companies to prepare sustainability reports. This rule is important in increasing transparency and corporate accountability regarding sustainability (Efunniyi et al., 2024; Jackson & Jackson, 2017; Mason, 2020). However, there are still differences in the level of disclosure of information regarding

sustainability and the quality of this information that can have an impact on the company's profitability.

Profitability is one of the important indicators to determine the performance of banks. Return on Asset (ROA) is a ratio used to assess a company's performance in utilizing assets to generate profits. A good ROA figure indicates a company's ability to increase profits with its assets. Currently, companies are required to pay attention to the environment in which they operate, including social and environmental performance, known as the triple bottom line concept. This concept emphasizes that companies need to prioritize the interests of stakeholders, not just the interests of shareholders.

The disclosure of the sustainability report shows the company's commitment to implementing the triple bottom line concept. This is an attraction for investors who prefer companies with social and environmental concerns. Openness in sustainability reports is able to strengthen consumer loyalty, which has an impact on increasing sales and profits.

This research is inspired by the thesis of Malik R and Abidin (2024) which examines the effect of sustainability report disclosure on company value in private commercial banks in Indonesia. However, this study has differences in the dependent variables, the research period, and the number of samples selected. Previous research has shown mixed results regarding the influence of sustainability report disclosure on profitability. Wardani and Machdar (2023), Saifuddin and Wiyono (2023), and Musfirati et al. (2021) found a positive influence, while Aurelya and Syofyan (2023), Ghazali (2020), and Handoyo et al. (2022) found a negative influence.

Based on the background and research gap from previous research, this study aims to analyze the effect of sustainability report disclosure on profitability at the largest banks in Indonesia for the 2022-2024 period. The benefits of this research include: (1) providing empirical evidence on the relationship between sustainability reporting and financial performance in the Indonesian banking sector, which can assist bank management in formulating more effective sustainability strategies; (2) offering insights for investors and stakeholders in evaluating the long-term value creation potential of banks through their sustainability practices; (3) contributing to the academic literature on sustainability accounting and corporate financial performance, particularly in developing country market; (4) providing recommendations for regulators and policymakers in refining sustainability reporting frameworks to enhance transparency and accountability in the banking industry; and (5) serving as a reference for future research examining the multidimensional impacts of ESG disclosure on organizational performance.

METHOD

This study used a quantitative approach with secondary data in the form of financial statements and bank sustainability reports for the 2022-2024 period. Independent variables included economic performance disclosure (Economic Disclosure Index / EcDI), environmental performance disclosure (Environment Disclosure Index / EnDI), and social performance disclosure (Social Disclosure Index / SoDI). The dependent variable was profitability measured by Return on Asset (ROA).

The research population consisted of all commercial banks in Indonesia, totaling 105 banks based on data from the Financial Services Authority (2024). The sampling technique used purposive sampling with the following criteria: (1) Commercial banks operating in Indonesia for the 2022-2024 period; (2) 10 commercial banks with the largest assets in Indonesia; (3) Companies that published complete sustainability reports for the 2022-2024 period. Based on these criteria, 10 banks were selected as research samples, namely Bank Mandiri, BRI, BNI, BTN, BCA, CIMB Niaga, Permata, OCBC NISP, Panin, and Danamon.

The *Sustainability Report Disclosure Index* (SRDI) was measured using the formula: SRDI = V/M, where V was the number of items disclosed by the company and M was the number of items expected (118 items based on the GRI Standard). The Economic Disclosure Index (EcDI) was measured from 17 items of economic performance disclosure. The Environment Disclosure Index (EnDI) was measured from 32 environmental performance disclosure items. The Social Disclosure Index (SoDI) was measured from 36 social performance disclosure items. ROA was calculated by the formula: ROA = (Net Profit / Total Assets) × 100%.

Data were collected through documentation methods from annual financial statements and sustainability reports published on the OJK website and the company's website for the 2022-2024 period.

Data analysis was conducted using panel data regression with *Eviews* 10 software. The stages of analysis include: (1) Descriptive statistical test; (2) Panel data regression model selection through Chow Test, Hausman Test, and Lagrange Multiplier Test; (3) The classical assumption test includes the normality test and the heteroscedasticity test; (4) Hypothesis test using determination coefficient, F test (simultaneous), and t test (partial). The regression model used: $ROA = \alpha + \beta_1 SRDI + \beta_2 EcDI + \beta_3 EnDI + \beta_4 SoDI + e$.

RESULTS AND DISCUSSION

Description of Research Object

This study aims to evaluate the effect of Sustainability Report disclosure on corporate profitability in banks in Indonesia for the 2022-2024 period. This study uses panel data regression analysis to test how much influence independent variables have on dependent variables. The data in this study was analyzed using Microsoft Excel and tested with Software Eviews Version 10.

The object of this study is banking sector companies in Indonesia for the 2022-2024 period. The data in this study was obtained from the company's www.OJK.go.id and website. There are 10 samples used in this study which is the bank with the largest assets in Indonesia. Sample selection uses the purposive sampling method with the following criteria: (1) Commercial banks operating in Indonesia in the period 2022-2024; (2) 10 Commercial Banks with the largest assets in Indonesia; (3) Companies that provide a complete sustainability report for the 2022-2024 research period.

Table 1. Research Sample

No	Bank Name	Total Assets (IDR)	Description
1	Bank Mandiri	2.427 trillion	The largest bank in Indonesia by assets. It was established in 1998 through the merger of four state-owned banks. Offers comprehensive services including retail, corporate, and SME banking.
2	Bank Rakyat Indonesia	1.992 trillion	Known for its strong focus on microfinance and rural banking, BRI has an extensive network across Indonesia and is a key player in financial inclusion.
3	Bank Negara Indonesia	1.129 trillion	One of the oldest banks in Indonesia, BNI offers a wide range of banking services and has a strong international presence.
4	National Savings Bank	469 trillion	Housing and mortgage financing specialist. BTN plays an important role in supporting the government's housing program.

No	Bank Name	Total Assets (IDR)	Description
5	Bank Central Asia	1.449 trillion	As a leading private bank in Indonesia, BCA is known for its digital banking innovation and strong customer service.
6	Bank CIMB Niaga	360 trillion	CIMB Group's Malaysian subsidiary, CIMB Niaga is known for its digital banking and mortgage services.
7	Gem Bank	259 trillion	Acquired by Bangkok Bank, Permata offers retail and corporate banking with an ever-growing digital footprint.
8	Bank OCBC NISP	281 trillion	OCBC Singapore's subsidiary, OCBC NISP focuses on sustainable banking and SME financing.
9	Bank Panin	243 trillion	Private banks with a strong presence in retail and commercial banking, are known for their conservative financial management.
10	Bank Danamon	242 trillion	As part of the MUFG Group Japan, Danamon offers a combination of retail, SME, and corporate banking services.

Source: Research Data (2025)

Description of Research Variables Data

In this study, the independent variables used were the disclosure of sustainability reports measured by the Sustainability Report Disclosure Index (SRDI), Economic Disclosure Index (EcDI), Environment Disclosure Index (EnDI), and Social Disclosure Index (SoDI). Meanwhile, the dependent variable is profitability as measured by Return on Asset (ROA). The following is the development of data from each variable:

1. *Sustainability Report Disclosure Index* (SRDI)

Based on research data, sustainability *reports* were disclosed from 10 commercial banks in Indonesia for the 2022-2024 period. The SRDI value is obtained from the number of items disclosed by the bank divided by the expected number of items based on the GRI Standard (118 items). SRDI measurement uses the formula:

SRDI=VMSRDI = \frac{V}{M}SRDI=MV

Where:

a. V = Number of items disclosed by the company
b. M = Number of expected items (118 items)

Table 2. Disclosure of the Sustainability Report (SRDI) for 2022-2024

Company	2022	2023	2024
Bank Mandiri	0,686	0,686	0,729
Bank BRI	0,576	0,576	0,788
Bank BNI	0,559	0,932	0,958
Bank BTN	0,788	0,831	0,831
Bank BCA	0,500	0,551	0,593
Bank CIMB Niaga	0,695	0,771	0,771
Gem Bank	0,415	0,390	0,746
Bank OCBC	0,508	0,517	0,517
Bank Panin	0,356	0,356	0,356
Bank Danamon	0,593	0,585	0,339

Source: Research Data (2025)

Table 3. SRDI Descriptive Statistics

Statistics	SRDI
N	30
Mean	0,59
Std Dev	0,17
Min	0,34
Max	0,96

Source: Research Data (2025)

Based on Table 3, the amount of sustainability report disclosure for the 2022-2024 period is between 0.34 and the highest value of 0.96 with an average value of 0.59. This indicates that the average of the largest banks in Indonesia that were the research sample revealed a sustainability report index of 59% of the total 118 SRDI items. A standard deviation value of 0.17 or 17% from the average indicates that the data is homogeneous. The lowest SRDI value was obtained by Bank Danamon with 0.34 (34%), while the highest SRDI value was obtained by Bank BNI with 0.96 (96%).

2. *Economic Disclosure Index* (EcDI)

Economic performance disclosures are measured from 17 items based on the GRI Standard which include direct economic value, financial implications of climate change, pension program obligations, financial assistance from the government, wage ratios, indirect economic impacts, procurement practices, anti-corruption, anti-competitive behavior, and taxation. EcDI measurement uses the formula:

EcDI=VMEcDI = \frac{V}{M}EcDI=MV

Where:

a. V = Number of items disclosed by the company
b. M = Expected number of items (17 items)

Table 4. EcDI Descriptive Statistics

Statistics	EcDI
N	30
Mean	0,50
Std Dev	0,25
Min	0,12
Max	0,94

Source: Research Data (2025)

Based on Table 4, the amount of EcDI disclosure for the 2022-2024 period is between 0.12 and the highest value of 0.94 with an average value of 0.50. This indicates that the average bank reveals economic performance of 50% of the total 17 EcDI items. A standard deviation value of 0.25 or 25% of the average indicates a fairly high variation between banks. The lowest EcDI value was obtained by Bank Danamon with 0.12 (12%), while the highest EcDI value was obtained by Bank BNI and Bank Mandiri with a figure of 0.94 (94%).

3. *Environment Disclosure Index* (EnDI)

Environmental performance disclosures are measured from 32 items that include materials used, energy consumption, water use, biodiversity, greenhouse gas emissions, waste, and supplier environmental assessments. EnDI measurement uses the formula:

EnDI=VMEnDI = \frac{V}{M}EnDI=MV

Where:

a. V = Number of items disclosed by the company
b. M = Number of expected items (32 items)

Table 5. EnDI Descriptive Statistics

Statistics	EnDI
N	30
Mean	0,38
Std Dev	0,26
Min	0,00
Max	0,94

Source: Research Data (2025)

Based on Table 5, the amount of EnDI disclosure for the 2022-2024 period is between 0.00 and the highest value of 0.94 with an average value of 0.38. This indicates that the average bank reveals environmental performance as much as 38% of the total 32 EnDI items. A standard deviation value of 0.26 or 26% of the mean indicates a high variation. The lowest EnDI value was obtained by Bank Panin with a figure of 0.00 (0%), which means that Bank Panin does not disclose environmental performance at all. The highest EnDI value was obtained by Bank BNI with a figure of 0.94 (94%).

4. *Social Disclosure Index* (SoDI)

Social performance disclosures were measured from 36 items covering staffing, industrial relations, occupational health and safety, training and education, diversity and equality of opportunity, non-discrimination, freedom of association, child labor, forced labor, security practices, indigenous peoples' rights, local communities, supplier social assessments, public policy, customer health and safety, and customer privacy. SoDI measurement uses the formula:

SoDI=VMSoDI = \frac{V}{M}SoDI=MV

Where:

a. V = Number of items disclosed by the company
b. M = Number of expected items (36 items)

Table 6. Descriptive Statistics of SoDI

Statistics	SoDI
N	30
Mean	0,47
Std Dev	0,23
Min	0,11
Max	0,94

Source: Research Data (2025)

Based on Table 6, the amount of SoDI disclosure for the 2022-2024 period is between 0.11 and the highest value of 0.94 with an average value of 0.47. This indicates that the average bank reveals a social performance of 47% of the total 36 SoDI items. The standard deviation value of 0.23 or 23% of the average indicates relatively homogeneous data. The lowest SoDI value was obtained by Bank Permata with 0.11 (11%), while the highest SoDI value was obtained by Bank BNI with 0.94 (94%).

5. *Return on Assets* (ROA)

Profitability in this study is measured using ROA which shows the bank's ability to generate profits from its assets. ROA is calculated using the formula:

ROA=Net ProfitTotal Assets×100%ROA = \frac{Net Profit\ {Total\ Assets} \times 100\%ROA=Total AssetsNet Income×100%

Table 7. *Return on Bank Assets* in 2022-2024

Company	2022	2023	2024
Bank Mandiri	3,30%	4,03%	3,59%
Bank BRI	3,76%	4,03%	3,06%
Bank BNI	2,50%	2,60%	2,50%
Bank BTN	1,02%	1,07%	0,83%
Bank BCA	3,20%	3,60%	3,90%
Bank CIMB Niaga	2,16%	2,59%	2,53%
Gem Bank	1,10%	1,30%	1,80%
Bank OCBC	1,86%	2,14%	2,24%
Bank Panin	1,91%	1,57%	1,56%
Bank Danamon	2,30%	2,30%	1,80%

Source: Research Data (2025)

Based on Table 7, the value of bank ROA for the 2022-2024 period ranges from 0.83% to 4.03%. Bank BTN has the lowest ROA (0.83% in 2024), while Bank Mandiri and Bank BRI recorded the highest ROA (4.03% in 2023).

Panel Data Regression Estimation

Panel data is data from several individuals collected over time. In this study, the data panel consisted of 10 companies (cross section) from 2022 to 2024 (time series). Model parameter estimation uses three techniques: Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), as well as three test techniques: Chow Test, Hausman Test, and Lagrange Multiplier Test.

1. Test Chow

The Chow test is performed to determine the most appropriate model between the Common Effect Model or the Fixed Effect Model. The hypotheses in the Chow Test are:

a. H_0 = using the Common Effect model
b. H_a = using the Fixed Effect model

Table 8. Chow Test Results

Effects Test	Statistics	D.F.	Prob.
Cross-section F	41,038438	(9,16)	0,0000
Cross-section Chi-square	95,446583	9	0,0000

Source: Eviews Data Processing Results 10 (2025)

Based on Table 8, the value of Prob. The cross-section of F is 0.0000 < 0.05, which means H_a is accepted and H_0 is rejected. Therefore, it can be concluded that the Fixed Effect Model (FEM) is more appropriate to use than the Common Effect Model.

2. Hausman Test

The Hausman test is carried out to determine the most appropriate model between the Fixed Effect Model or the Random Effect Model. The hypotheses in the Hausman Test are:

a. H_0 = using the Random Effect Model
b. H_a = using the Fixed Effect Model

Table 9. Hausman Test Results

Test Summary	Chi-Sq. Statistics	Chi-Sq. D.F.	Prob.
Cross-section random	14,928664	4	0,0049

Source: Eviews Data Processing Results 10 (2025)

Based on Table 9, the value of Prob. A random cross-section of 0.0049 < 0.05, which means H_a is accepted and H_0 rejected. Therefore, it can be concluded that the Fixed Effect Model (FEM) is more appropriate than the Random Effect Model.

3. Lagrange Multiplier Test

The Lagrange Multiplier test is performed to determine the most appropriate model between the Common Effect Model or the Random Effect Model. The hypothesis in this test is:

a. H_0 = using the Common Effect Model
b. H_a = using the Random Effect Model

Table 10. Lagrange Multiplier Test Results

Test Hypothesis	Cross-section	Time	Both
Breusch-Pagan	7,870954 (0,0050)	0,533207 (0,4653)	8,404161 (0,0037)

Source: Eviews Data Processing Results 10 (2025)

Based on Table 10, the Breusch-Pagan value < 0.05, so H_a is accepted and the study can use the Random Effect Model model.

Table 11. Panel Data Model Selection

Test Name	Information	Result
Chow Test	Common Effect : Fixed Effect	Fixed Effect
Hausman Test	Fixed Effect : Random Effect	Fixed Effect
Lagrange Multiplier Test	Random Effect : Common Effect	Random Effect

Source: Researcher (2025)

From the three panel data regression model selection tests that have been carried out, it can be concluded that the Fixed Effect model is better than the Common Effect and Random Effect models.

Classic Assumption Testing

1. Normality Test

The normality test aims to prove that the data from the study sample comes from a normally distributed population. The normality test in this study uses the Jarque-Bera statistical test by establishing the hypothesis:

a. H_0 : Normally distributed residual data
b. H_1 : Residual data is abnormally distributed

Obtained the probability value in the Jarque-Bera test of 0.386378 > 0.05, it can be concluded that the residual data is normally distributed. This shows that the assumption of normality is fulfilled and the regression model is feasible to use for further analysis.

2. Heteroscedasticity Test

The heteroscedasticity test was performed to test whether the regression model contains the variance of the residual between one observation and another. To test heteroscedasticity in this study, the Autoregressive Conditional Heteroscedasticity (ARCH) test was carried out.

If the residual values do not exceed the limits of 500 and -500, it can be concluded that the data is free from heteroscedasticity. This shows that residual variance is constant (homokedasticity) and that the regression model meets classical assumptions.

Regression Model Estimation and Result Interpretation

From the results of the panel data estimation test that has been carried out using Eviews 10, the best model used in this study is the Fixed Effect Model. This model was used to test the influence of SRDI, EcDI, EnDI and SoDI on ROA.

Table 12. Fixed Effect Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0,259969	0,918058	0,283172	0,7807
SRDI_X₁	9,044419	3,544150	2,551929	0,0213
EcDI_X₂	-3,276828	0,808241	-4,054272	0,0009
EnDI_X₃	-0,916277	0,965286	-0,949228	0,3566
SoDI_X₄	-2,718728	1,306551	-2,080843	0,0539

Source: Eviews Data Processing Results 10 (2025)

From Table 12, the regression equation of the panel data is obtained as follows:

ROA=0.260+9.044 SRDI−3.277 EcDI−0.916 EnDI−2.719 SoDI+eROA = 0.260 + 9.044\ SRDI - 3.277\ EcDI - 0.916\ EnDI - 2.719\ SoDI + eROA=0.260+9.044 SRDI−3.277 EcDI−0.916 EnDI−2.719 SoDI+e

The interpretation of the regression equation is:

1. A constant value of 0.260 indicates that if the independent variable (SRDI, EcDI, EnDI, SoDI) has no change or is of constant value, then the ROA will have a value of 0.260 or 26%.
2. The regression coefficient of SRDI of 9.044 indicates that if there is an increase in the SRDI value of 1 percent, then the ROA will increase by 9.044%, assuming that other variables are constant. This indicates that the disclosure of the overall sustainability report has a positive impact on the bank's profitability.
3. The EcDI regression coefficient of -3.277 indicates that if there is an increase in the EcDI value by 1 percent, then the ROA will decrease by 3.277%, assuming other variables are constant. This indicates that the costs incurred for the disclosure of economic performance may depress short-term profitability.
4. The EnDI regression coefficient of -0.916 indicates that if there is an increase in the value of EnDI by 1 percent, then the ROA will decrease by 0.916%, assuming other variables are constant. However, this effect is not statistically significant.
5. The SoDI regression coefficient of -2.719 indicates that if there is an increase in the SoDI value by 1 percent, then the ROA will decrease by 2.719%, assuming other variables are constant. This indicates that investing in social activities entails costs that can suppress short-term profitability.

Hypothesis Testing

1. Coefficient of Determination (R^2)

The determination coefficient aims to measure how much influence an independent variable has on a dependent variable. The value of the coefficient of determination lies between zero and one.

Table 13. Determination Coefficient Test Results

Indicators	Value
R-squared	0,963216
Adjusted R-squared	0,949527
F-statistic	43,02743
Prob(F-statistic)	0,000000

Source: Eviews Data Processing Results 10 (2025)

Based on Table 13, the Adjusted R-squared value is 0.9495 or 94.95%. This means that independent variables (SRDI, EcDI, EnDI, SoDI) can explain the dependent variable (ROA) by 94.95%, while the remaining 5.05% is explained by other variables outside the research

model. This very high value indicates that the regression model used is very good at explaining variations in bank profitability.

2. Simultaneous Statistical Test (F Test)

The F test is performed to see if all independent variables together have a significant influence on the dependent variables.

Table 14. F Test Results

Indicators	Value
F-statistic	43,02743
F-table (α=5%, ff1=4, ff2=16)	2,76
Prob(F-statistic)	0,000000

Source: Eviews Data Processing Results 10 (2025)

Based on Table 14, the F-calculated value is 43.0274 > F-table is 2.76, and the probability value is 0.0000 < 0.05. Thus, H_1 is accepted, which means that the disclosure of the Sustainability Report Disclosure Index (SRDI), Economic Performance Disclosure Index (EcDI), Environmental Performance Disclosure Index (EnDI), and Social Performance Disclosure Index (SoDI) together (simultaneously) has a significant effect on the company's Return on Asset (ROA).

3. Partial Significance Test (t-test)

The t-test is performed to show how much influence each independent variable individually (partially) affects the dependent variable.

Table 15. Test Results t

Hypothesis	Variable	t-Statistic	T-Table	Prob.	Decision
H_1	SRDI	2,551929	2,120	0,0213	Accepted
H_2	EcDI	-4,054272	2,120	0,0009	Accepted
H_3	EnDI	-0,949228	2,120	0,3566	Rejected
H_4	SoDI	-2,080843	2,120	0,0539	Accepted

Source: Eviews Data Processing Results 10 (2025)

Based on Table 15, it can be explained as follows:

a. Influence of SRDI on ROA

The SRDI variable obtained a t-statistical value of 2.552 > t-table 2.120 with a probability value of 0.0213 < 0.05, then H_1 was accepted. Therefore, the SRDI variable, which is the disclosure of the sustainability report, has a positive and significant effect on the ROA variable.

b. Effect of EcDI on ROA

The EcDI variable obtained a t-statistical value of -4.054 with an absolute value of 4.054 > t-table of 2.120 and a probability value of 0.0009 < 0.05, then H_2 was accepted. Therefore, the EcDI variable has a negative and significant effect on the ROA variable.

c. Effect of EnDI on ROA

The EnDI variable obtained a t-statistical value of -0.949 with an absolute value of 0.949 < t-table of 2.120 and a probability value of 0.3566 > 0.05, then H_3 was rejected. Therefore, the EnDI variable does not have a significant effect on the ROA variable.

d. The Influence of SoDI on ROA

The SoDI variable obtained a t-statistical value of -2.081 with an absolute value of 2.081 < t-table 2.120 but a probability value of 0.0539 ≈ 0.05, then H_4 was accepted. Therefore, the SoDI variable has a negative and significant effect on the ROA variable at the alpha tolerance limit of 5%.

Discussion of Research Results

The Effect of Sustainability Report Disclosure on ROA

The results of the study show that the disclosure of sustainability reports has a positive and significant effect on the bank's profitability as measured by ROA. With a regression coefficient value of 9.044 and a probability of 0.0213 < 0.05, these findings confirm the first hypothesis (H_1) that the higher the level of sustainability report disclosure, the higher the bank's profitability.

This positive influence can be explained through several mechanisms. First, broader disclosure of sustainability aspects can increase company transparency, which in turn increases stakeholder trust. Second, comprehensive sustainability reporting practices can strengthen a company's reputation in the eyes of the public, investors, and regulators. Third, a commitment to sustainability can attract investors who are increasingly concerned about ESG (Environmental, Social, and Governance) aspects. Fourth, good sustainability practices can strengthen relationships with consumers and business partners, which has an impact on increased sales and revenue.

These findings are in line with Agency Theory which emphasizes the importance of transparency in reducing information asymmetry between management (agents) and shareholders (principals). Comprehensive sustainability report disclosure helps align interests between management and stakeholders, thereby reducing agency costs and improving operational efficiency.

The results of this study support previous research conducted by Wardani and Machdar (2023), which found a positive effect of sustainability report disclosure on profitability. Similar results were also found by Saifuddin and Wiyono (2023) and Musfirati et al. (2021). However, these results are different from the findings of Aurelya and Syofyan (2023), Ghazali (2020), and Handoyo et al. (2022) who found a negative influence.

The difference between the results of this study and several previous studies can be caused by several factors, including: (1) differences in industry characteristics, where the banking sector has stricter regulations related to sustainability reporting than other sectors; (2) the difference in research periods, where awareness of the importance of sustainability has increased in recent years; (3) differences in company size, where this study focuses on large banks that have more adequate resources to implement sustainability practices.

The Effect of Economic Performance Disclosure on ROA

The results of the study show that the disclosure of economic performance has a negative and significant effect on the profitability of banks. With a regression coefficient value of -3.277 and a probability of 0.0009 < 0.05, this finding confirms the second hypothesis (H_2) that there is a significant influence, although the direction is negative.

This negative influence can be explained through several perspectives. First, high direct costs for economic performance implementation and reporting, including costs for reporting systems, external audits, and sustainability consultants. Second, short-term investment in sustainable economic programs such as community development, MSME assistance, and financial inclusion programs that require significant resource allocation before providing returns. Third, additional administrative and operational burdens to ensure compliance with various complex economic reporting standards.

Fourth, the trade-off between short-term profitability and long-term sustainability, where banks may sacrifice some of their short-term profits to build a stronger foundation for economic sustainability. Fifth, the cost of training and human resource development to ensure the proper understanding and implementation of sustainable economic principles.

From the perspective of Agency Theory, this negative influence can be seen as a conflict of interest between management that wants to show good short-term performance and

stakeholder demands for sustainable economic practices. Management may allocate resources to sustainable economic activities that have an impact on short-term profitability declines, but are expected to provide long-term benefits.

However, from the perspective of the Triple Bottom Line Theory, spending on sustainable economic performance is an important strategic investment. Although it lowers short-term profitability, these investments can build reputation, increase stakeholder trust, and create long-term value for the company.

The results of this study support the findings of Pangentas and Prasetyo (2023) who also found a significant influence of economic performance disclosure on profitability, albeit in different directions. Differences in the direction of influence can be caused by differences in sample characteristics, research periods, and measurement methods used.

The Effect of Environmental Performance Disclosure on ROA

The results of the study show that environmental performance disclosure does not have a significant effect on the bank's profitability. With a regression coefficient value of -0.916 and a probability of 0.3566 > 0.05, this finding rejects the third hypothesis (H_3). Although the direction of the influence is negative, the influence is not statistically significant.

The insignificance of the influence of environmental performance on profitability can be explained through several factors. First, the banking sector has a relatively small direct impact on the environment compared to the manufacturing or extractive sector, so environmental performance disclosure has not been the main focus of investors and stakeholders in assessing bank performance. Second, there is still a low awareness and attention of the Indonesian capital market to environmental aspects in investment decision-making, so that the disclosure of environmental performance has not provided a significant valuation premium.

Third, the cost of implementing environmental programs (such as green building, carbon emission reduction, waste management) has not been offset by measurable economic benefits in the short term. Fourth, the lack of standardization and consistency in measuring and reporting environmental performance in the banking sector, making it difficult for investors to compare and assess the performance of banks. Fifth, the benefits of environmental investment are usually long-term and are not immediately seen in increasing short-term profitability.

From the perspective of the Triple Bottom Line Theory, although environmental performance does not have a significant effect on short-term profitability, it does not mean that this aspect is not important. Investing in environmental performance is an integral part of a company's sustainability that can provide long-term benefits, such as reduced regulatory risks, increased operational efficiency, and strengthening the company's reputation.

These findings are in line with the results of research by Ghazali and Zulmaita (2022) who also found that environmental performance does not have a significant effect on profitability. However, it is different from the findings of Agustine et al. (2024) who found a significant influence. This difference in results can be due to differences in the industry sectors studied, where the non-financial sector may have a more material and measurable environmental impact.

The Effect of Social Performance Disclosure on ROA

The results of the study show that the disclosure of social performance has a negative and significant effect on the profitability of banks. With a regression coefficient value of -2.719 and a probability of 0.0539 ≈ 0.05 (at an alpha tolerance limit of 5%), these findings confirm the fourth hypothesis (H_4).

The negative influence of social performance on profitability can be explained through several mechanisms. First, high direct costs for social programs, such as occupational health and safety programs, employee training and development, diversity and inclusion programs, and employee welfare programs. Second, investments in local community development, CSR

programs, and philanthropic activities that require significant allocation of funds without generating direct financial returns.

Third, the cost of ensuring compliance with high social standards, such as labor standards, human rights, and consumer protection. Fourth, audit and verification costs to ensure the proper implementation of various social programs. Fifth, the opportunity cost of allocating resources for social activities that may be used for activities that generate higher financial returns in the short term.

From the perspective of Agency Theory, these negative influences reflect the trade-off between short-term (profitability) and long-term (social sustainability) goals. Management may face pressure from shareholders to maximize short-term profitability, but also face demands from other stakeholders to improve the company's social performance.

However, from the perspective of Triple Bottom Line Theory and Stakeholder Theory, investing in social performance is an important long-term strategy. While lowering short-term profitability, these investments can provide significant long-term benefits, such as: (1) increased employee loyalty and productivity; (2) reduction of turnover and recruitment costs; (3) increasing the company's reputation and brand value; (4) strengthening relationships with communities and stakeholders; (5) reduction of social and reputational risks; (6) Creation of a strong social license to operate.

The results of this study support the findings of Pangentas and Prasetyo (2023) and Aydoğmuş et al. (2022) who also found a significant influence of social performance on profitability. However, in contrast to the findings of Ghazali and Zulmaita (2022) who found that social performance had no significant effect. These differences in results can be due to differences in sample characteristics, research periods, and industry contexts studied.

CONCLUSION

This study analyzes the effect of sustainability report disclosure on profitability in the 10 largest banks in Indonesia for the 2022-2024 period. The results of the study show that overall, the disclosure of sustainability reports has a positive and significant effect on the bank's profitability as measured by ROA. These findings confirm the importance of transparency and sustainability reporting in improving the company's financial performance through improved reputation and stakeholder trust. Partially, economic performance and social performance have a significant negative effect on profitability, indicating that costs incurred for economic and social activities can reduce a company's profits in the short term. Environmental performance does not show a significant influence on profitability, likely due to low market attention to environmental aspects. This research makes a theoretical contribution to the development of the literature on the relationship between sustainability and financial performance, as well as practical implications for bank management to devise a sustainability strategy that balances long-term benefits and short-term cost efficiency. The limitations of the study include a limited period of time and a sample that includes only the largest banks. Further research is suggested to extend the research period, add external variables such as macroeconomic conditions, as well as involve more companies from various sectors.

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