The Effect of Sustainability Reporting on the Profitability of IDX-Listed SOEs

Widiya Pratiwi[1], Ngurah Pandji Mertha Agung Durya[2], Zaky machmuddah[3] , Bambang Minarso[4.]

[1-4]Universitas Dian Nuswantoro, Indonesia
212202204702@mhs.dinus.ac.id[1,] ngurah.pandji.mertha.agung.durya@dsn.dinus.ac.id [2], zaky.machmuddah@dsn.dinus.ac.id [3], bambang.minarso@dsn.dinus.ac.id [4.]

Abstract

This research examines the impact of the Environmental Disclosure Score (EDS), Social Disclosure Score (SDS), and Governance Disclosure Score (GDS) on the profitability of state-owned enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX). The research sample comprises twenty-four state-owned enterprises listed on the IDX that regularly issued sustainability reports throughout the study period. A total of 72 company-year observations were chosen using purposive sampling. Profitability, assessed through Return on Assets (ROA), was analyzed between 2023 and 2025, whereas the Environmental Disclosure Score, Social Disclosure Score, and Governance Disclosure Score were reviewed from 2022 to 2024. The main analytical method used in the study was multiple linear regression. The research indicates that a firm's profitability is not greatly affected by its Environmental Disclosure Score. However, the Social Disclosure Score positively affects company profitability. Nonetheless, the Governance Disclosure Score adversely affects the profitability of state-owned enterprises listed on the Indonesia Stock Exchange. These results suggest that SOE management must prioritize enhancing the efficiency and financial benefits of social sustainability initiatives, while also ensuring that governance structures and transparency practices are executed effectively without incurring excessive expenses that could diminish short-term profits. The results also offer insights for investors and policymakers in assessing ESG disclosure by taking into account the varying economic impacts of each sustainability dimension instead of viewing ESG disclosure as a unified overall metric.

Keywords: Environmental Disclosure Score, Social Disclosure Score, Governance Disclosure Score, profitability, Return on Assets, state-owned enterprises.

Introduction

The increasingly dynamic global business environment has pushed companies to focus not only on achieving profits but also on maintaining sustainable performance amidst increasing economic pressures, technological developments, regulatory changes, and the demands of various stakeholders. This situation means that a company's success is no longer measured solely by its ability to generate revenue, but also by its ability to manage resources effectively and efficiently to generate sustainable financial performance. One indicator that reflects this capability is profitability, as it demonstrates a company's ability to generate profits through optimal utilization of its assets and resources.(Mohammad & Wasiuzzaman, 2021)Profitability is also important information for investors in assessing a company's prospects, the effectiveness of its operational strategy, and its ability to create sustainable economic value.(Buallay et al., 2022)For State-Owned Enterprises (SOEs), profitability has a more strategic meaning because it not only reflects the company's success in carrying out business activities but also relates to its contribution to state revenue through dividends and the implementation of national development functions.

Despite their strategic role, the profitability of state-owned enterprises in Indonesia continues to fluctuate. According to data from the Ministry of State-Owned Enterprises published by katadataIn 2025, consolidated profits of state-owned enterprises (SOEs) in 2024 are projected to decline to approximately IDR 304 trillion, compared to IDR 327 trillion in the previous year, despite an increase in aggregate corporate revenue. This phenomenon indicates that the increase in revenue has not been fully accompanied by an increase in the company's ability to generate profits. This condition can be influenced by various factors, including the global economic slowdown, increasing operational costs, commodity price volatility, and the need for investment in business transformation. On the other hand, SOEs also face demands to conduct business activities that increasingly pay attention to sustainability aspects. This condition indicates that SOEs need to maintain a balance between achieving financial performance and meeting economic, social, and environmental demands from investors, regulators, the public, and other stakeholders. Therefore, identifying factors that could potentially affect corporate profitability is becoming increasingly important, including factors related to corporate sustainability practices and transparency.

This paradigm shift in company valuation aligns with the growing focus on Environmental, Social, and Governance (ESG). Investors no longer solely consider financial information when assessing a company's prospects, but also consider how the company manages its environmental impact, fulfills its social responsibilities, and implements good governance as part of its sustainability strategy.(Mahmood et al., 2025) ESG disclosure through sustainability reporting is one form of corporate transparency in conveying information about sustainability practices to stakeholders.(GRI, 2021)In Indonesia, the implementation of sustainability reporting is strengthened through Financial Services Authority Regulation No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. For state-owned enterprises (SOEs), the application of ESG principles is increasingly relevant because companies not only pursue commercial objectives but also function as agents of national development. Therefore, ESG disclosure can be a form of corporate accountability in demonstrating how sustainability aspects are integrated into business activities and corporate decision-making.

Environmental Disclosure describes a company's transparency in conveying information regarding the company's activities, policies, and operational impacts on the environment, including energy efficiency, waste management, carbon emissions, natural resource conservation, and climate change mitigation.(GRI, 2021)Environmental management is increasingly important for state-owned enterprises (SOEs) in line with government policies to encourage the transformation towards a green economy and achieve the Net Zero Emission target by 2060. The Ministry of SOEs also encourages the implementation of ESG principles through various decarbonization programs, the development of new and renewable energy, and energy efficiency as part of a sustainable business strategy.(Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2023)Conceptually, broader environmental disclosure can demonstrate a company's ability to manage environmental risks, improve resource efficiency, and maintain its reputation. However, implementing environmental practices also requires relatively large investments and costs, so the economic benefits may not be immediately apparent. This situation suggests that the impact of environmental disclosure on profitability may depend on a company's ability to integrate environmental practices into its operational activities and long-term business strategy.

Social Disclosure is a form of corporate transparency in conveying information regarding the workforce, community, customers, human rights, and corporate social responsibility (GRI, 2021). Social aspects are highly relevant for state-owned enterprises (SOEs) because they are responsible for implementing Social and Environmental Responsibility (TJSL) programs as part of their contribution to community development and welfare. These programs include empowering MSMEs, improving the quality of education, healthcare, and developing communities around the company's operational areas (Ministry of SOEs, 2023). Transparent social disclosure can strengthen a company's relationships with stakeholders, enhance its reputation, and build public and investor trust. However, implementing social programs requires resources and costs, while the economic benefits are not always measurable or tangible in the short term. Therefore, the impact of social disclosure on profitability can vary depending on the effectiveness of the social program and the company's ability to translate positive stakeholder relationships into economic benefits.

Governance Disclosure reflects the company's transparency in conveying information regarding the supervisory structure, board independence, ethics policies, accountability, internal control, and corporate governance mechanisms.(OECD, 2023)Strengthening governance is a crucial aspect of SOE transformation through the implementation of Good Corporate Governance (GCG) principles, which aim to increase transparency, strengthen internal control, minimize the risk of irregularities, and enhance stakeholder trust (Ministry of SOEs, 2024). Conceptually, good governance can improve decision-making effectiveness and reduce corporate risk, potentially supporting financial performance. However, implementing good governance also requires costs for oversight, audits, compliance, risk management, and internal control, which can be a burden on companies in the short term. This situation indicates that Governance Disclosure does not necessarily have a uniform impact on corporate profitability.

Several previous studies have shown that the influence of each dimension of Environmental, Social, and Governance Disclosure on profitability still yields mixed findings. Regarding the Environmental Disclosure aspect,Kdp & Utomo (2025) found that environmental disclosure has a significant positive effect on Return on Assets (ROA), whereas Chandra Verina & Rohman (2024) shows that Environmental Disclosure had no significant effect on ROA in the pre-pandemic period. Regarding Social Disclosure,Daffa et al. (nd)found that social disclosure had a significant positive effect on ROA, whileChandra Verina & Rohman (2024)found that Social Disclosure had no significant effect on ROA. Furthermore, in the Governance Disclosure aspect,Daffa et al. (2023) found that Governance Disclosure had a significant negative effect on ROA, whereas Lita & Faisol (2025)showed that Governance Disclosure had no significant effect on ROA. A different finding was also demonstrated by Jaya and Martadinata (2024), who found that Environmental Disclosure had a significant negative effect, Social Disclosure had a significant positive effect, and Governance Disclosure had a positive but insignificant effect on profitability. These differences in results indicate that the influence of Environmental, Social, and Governance Disclosure on profitability does not show a consistent pattern, either in terms of significance or direction of influence.

Based on the inconsistencies in the research results, there are still research gaps that need further study.Utami & Machmuddah (2026)separates Environmental, Social, and Governance Disclosure and examines their effects on firm value, with profitability as a moderating variable. The study uses ESG and profitability data in year t, as well as firm value in year t+1, to capture the market's response to sustainability information. However, this approach does not yet explain whether each ESG dimension influences firm profitability. This is important because firm value reflects market perceptions of a company's prospects, while profitability directly reflects a company's ability to generate profits through the utilization of its assets. Furthermore, empirical evidence regarding the relationship between each ESG dimension and profitability in the context of state-owned enterprises (SOEs) still needs to be expanded, given that SOEs are both business entities and agents of national development. The use of a lag effect approach is also relevant because the economic benefits of environmental, social, and governance practices cannot always be realized in the same period as the disclosure. Environmental investments, social program implementation, and governance strengthening can take time to impact a company's financial performance.

Based on this research gap, this study is a replication study referring to the research of Utami and Machmuddah (2026) using the same independent variables, namely the Environmental Disclosure Score, Social Disclosure Score, and Governance Disclosure Score obtained from the Bloomberg ESG Disclosure Score. The differences in this study lie in the use of profitability proxied by Return on Assets (ROA) as the dependent variable, the research objects are state-owned enterprises listed on the Indonesia Stock Exchange, and the application of the lag effect approach. The ESG Disclosure Score is measured in 2022–2024 as period t, while profitability is measured in 2023–2025 as period t+1. This approach is used to test the possibility of a time lag between the disclosure and implementation of sustainability practices and their impact on company profitability. Thus, this study is expected to expand empirical evidence regarding the influence of each dimension of Environmental, Social, and Governance Disclosure on profitability, especially in state-owned enterprises listed on the Indonesia Stock Exchange. This study aims to analyze the influence of Environmental Disclosure Score, Social Disclosure Score, and Governance Disclosure Score on the profitability of state-owned enterprises listed on the Indonesia Stock Exchange through a lag effect approach.

Literature Review

The concept of signaling theory, introduced by Spence (1973), shows how companies communicate with investors to reduce the difference in information between the company's leaders and outside people. In this study, sustainability reporting is seen as a good sign that shows a company is dedicated to running its business in a sustainable way by focusing on environmental, social, and governance factors. ESG disclosures give more details about how well a company manages its governance, handles business risks, and plans for long-term sustainability, which helps build trust with investors and can also help the company make more profit (Mahmood et al., 2025). This signaling mechanism has proven crucial in building positive market perceptions of corporate transparency (Durlista & Wahyudi, 2023 ; Nainggolan & Siswanti, 2025).

Ross (1997)explains that information becomes a credible signal when supported by the company's sound fundamentals. Thus, companies with high and stable profitability tend to receive a positive response from investors when disclosing sustainability reports. Non-financial transparency from financially sound entities is valued more highly by capital market participants (Nguyen, 2025). Conversely, if a company's profitability is low, ESG disclosures may be perceived merely as a form of administrative compliance or a formality, thereby reducing their impact on improving financial performance (Lukman et al., 2025).

According to Dowling & Pfeffer (1975) egitimacy theory, businesses require societal legitimacy to sustain their operations. A company's legitimacy is determined by how well its operations conform to the norms, values, and expectations of the general public. According to (Umbing et al., 2024), sustainability reporting, which covers environmental, social, and governance issues, is seen as a company's attempt to gain and retain credibility with its stakeholders. ESG disclosures show that businesses prioritize social and environmental responsibilities in addition to financial gains (Durlista & Wahyudi, 2023 ; Nainggolan & Siswanti, 2025). Business continuity is implicitly ensured by this alignment of activities with social standards (Wijayanti & Setiawan, 2023).

O'Donovan (2002) explains that when public perception of a company is at risk of declining, the company must increase transparency and information disclosure to ensure its operations remain aligned with public expectations. Therefore, sustainability reporting serves as a vital tool for companies to demonstrate their commitment to sustainable business practices, thereby enhancing stakeholder confidence and supporting improved corporate profitability (Mahmood et al., 2025). By securing public recognition, corporations can mitigate potential social sanctions that could be detrimental to profitability (Elvira, 2026).

In line with the research by Rahelliamelinda & Handoko (2024), corporate legitimacy is not merely achieved through compliance with formal regulations, but also through a company's ability to meet societal demands regarding sustainability and optimal corporate management. Research by Arofah & Khomsiyah (2023)also shows that the implementation of ESG can enhance corporate legitimacy, strengthen corporate reputation, and have a positive impact on improving corporate performance and profitability. By fulfilling this social contract, business entities can reduce political costs and secure the long-term loyalty of stakeholders (Grewal et al., 2020).

Hypothesis Development

The Effect of Environmental Disclosure on Profitability

Environmental disclosure plays a crucial role in sustainability reporting as it showcases a firm's initiatives to control and reduce the environmental effects linked to its operations. These disclosures typically encompass details related to energy use efficiency, emissions of greenhouse gases, management of waste, water usage, conservation of biodiversity, prevention of pollution, and safeguarding of natural resources (GRI, 2021). By means of environmental disclosure, organizations convey their environmental achievements and highlight their dedication to sustainable business methods. In this research, the Environmental Disclosure Score is utilized to quantify environmental disclosure, indicating the level of environmental data shared by firms in their sustainability reports in accordance with the standards set by the Global Reporting Initiative (GRI).

According to Legitimacy Theory, companies continuously seek to obtain and maintain legitimacy from society by ensuring that their operations are aligned with prevailing social values, norms, and expectations (Dowling & Pfeffer, 1975). Companies that actively disclose environmental information demonstrate accountability for the environmental consequences of their activities, thereby strengthening their legitimacy in the eyes of stakeholders. Environmental transparency can improve corporate reputation, enhance stakeholder trust, and reduce the risk of negative public perceptions that may arise from environmental issues or regulatory non-compliance (Suchman, 1995 ; Deegan, 2002).

Additionally, according to Signaling Theory, environmental disclosure shows a company's dedication to long-term sustainability and environmental responsibility (Spence, 1973) By voluntarily providing information about environmental initiatives and performance, companies can reduce information asymmetry between management and external stakeholders, particularly investors (Connelly et al., 2011). Strong environmental performance is frequently seen by investors as a sign of better managerial quality, efficient resource use, and excellent risk management, all of which may boost their confidence in the company's prospects going forward.

From an operational perspective, environmental initiatives can contribute to improved financial performance through greater resource efficiency and lower operational costs. Investments in energy conservation, waste reduction, and environmentally friendly technologies may reduce production costs and improve operational efficiency over time. In addition, companies with strong environmental practices are generally better positioned to comply with environmental regulations, avoid legal penalties, and reduce environmental risks that could negatively affect financial performance. Effective environmental management can therefore create competitive advantages and contribute to long-term value creation for the company (Fatemi et al., 2018; Alareeni & Hamdan, 2020).

Several previous studies provide empirical information about the relationship between environmental disclosure and corporate profitability. Studies by Mohammad & Wasiuzzaman (2021), Buallay et al. (2022), Durlista & Wahyudi (2023), Widiani & Sisdyani (2025), have demonstrated that environmental disclosure positively impacts a corporation's financial performance. These results suggest that firms with increased levels of environmental disclosure are likely to achieve greater profitability owing to enhanced legitimacy, a more robust corporate image, reduced operational risks, and improved competitive edges (Fatemi et al., 2018; Alareeni & Hamdan, 2020; Buallay et al., 2022). The following hypothesis is put out in light of the theoretical justifications and empirical data mentioned above:
H1: The Environmental Disclosure Score influences the profitability.

The Effect of Social Disclosure on Profitability

Social disclosure pertains to the declarations made by a company regarding its responsibilities towards its workers, clients, local communities, and various stakeholders through the practice of corporate social responsibility and sustainable business approaches (GRI, 2021; Al-Tahat et al., 2025). Typically, social disclosures encompass data related to employee well-being, workplace health and safety, inclusivity and equal chances, human rights, training and development for employees, responsibilities towards customers, and programs that engage with the community (GRI, 2021). The Social Disclosure Score, which measures how fully businesses disclose social-related information in their sustainability documents in accordance with the guidelines established by the Global Reporting Initiative (GRI), is used to assess social disclosure for the purposes of this study.

Stakeholder Theory states that a company's capacity to satisfy the demands and interests of its stakeholders—which include workers, clients, suppliers, communities, governments, and investors—determines its long-term viability (Freeman, 1984). Therefore, companies are expected to maintain good relationships with these stakeholders through transparent and adequate social disclosure practices. Companies that actively communicate their social responsibilities demonstrate accountability and responsiveness to stakeholder concerns, which may strengthen stakeholder support and improve the company's legitimacy in society.

Furthermore, Signaling Theory explains that corporate disclosures serve as signals that reduce information asymmetry between management and external parties (Spence, 1973). Social disclosure can function as a positive signal regarding a company's commitment to ethical business practices, employee welfare, customer protection, and community development (Connelly et al., 2011). Such disclosures may increase investor confidence, attract potential investors, and improve the company's reputation in the market. As a result, companies with better social disclosure may enjoy lower capital costs and stronger access to external financing.

From an operational perspective, the implementation and disclosure of social initiatives may also contribute directly to improving financial performance. Investments in employee welfare and development can increase employee motivation, productivity, and retention rates, thereby reducing recruitment and training costs. Similarly, customer-oriented social practices can strengthen customer satisfaction and loyalty, leading to higher sales and market share. Community engagement programs may also reduce social conflicts and improve relationships with regulators and local communities, creating a more stable business environment that supports long-term profitability (Orlitzky et al., 2003; Mohammad & Wasiuzzaman, 2021).

Numerous earlier investigations offer empirical evidence supporting the beneficial connection between social disclosure and profit margins. Studies by Sumani & Limawan (2024), Widiani & Sisdyani

(2025), and Buallay et al. (2022) revealed that social disclosure has a positive and significant impact on the profitability of corporations. Their results suggest that firms with greater social disclosure typically achieve improved financial outcomes owing to enhanced relationships with stakeholders, a better corporate reputation, and increased operational effectiveness. Thus, it is anticipated that businesses that share more detailed social information will realize greater profitability compared to those that have less social disclosure. The following hypothesis is put out in light of the theoretical justifications and empirical data mentioned above:
H2: The Social Disclosure Score influences the profitability.

The Effect of Governance Disclosure on Profitability
Governance disclosure pertains to information related to openness, responsibility, independence, accountability, and how effectively corporate oversight mechanisms manage a company's operational practices (OECD, 2023). These disclosures typically include information about the composition and structure of the board of directors and commissioners, audit committees, internal control systems, risk management procedures, anti-corruption policies, business ethics principles, and compliance with pertinent regulations (GRI, 2021). The Governance Disclosure Score, which shows the degree of a company's governance-related information found in sustainability reports compliant with the Global Reporting Initiative (GRI) standards, is used in this study to assess governance disclosure.

According to Stakeholder Theory, the implementation of good corporate governance can enhance stakeholder trust and reduce conflicts of interest between management and shareholders, thereby supporting the creation of harmonious relationships between the company and its stakeholders (Freeman, 1984). Additionally, a company's adherence to the values of accountability, transparency, responsibility, independence, and justice is demonstrated by good governance, which are fundamental to effective corporate decision-making and long-term sustainability.

Furthermore, Signaling Theory explains that the disclosure of strong governance practices serves as a positive signal regarding the quality of management and the company's future prospects (Spence, 1973). Information related to oversight mechanisms, internal controls, and regulatory compliance can reduce information asymmetry between management and external stakeholders, thereby increasing investor confidence in the company (Connelly et al., 2011). Higher levels of investor confidence may improve access to external financing and reduce the company's cost of capital.

From an operational standpoint, strong corporate governance has the potential to boost operational effectiveness, improve the caliber of managerial choices, and diminish agency expenses that occur because of conflicting interests between shareholders and managers (Jensen & Meckling, 1976) Robust governance systems can additionally lessen the likelihood of fraud, self-serving behaviors by management, and poor investment choices, thus promoting enhanced corporate results over an extended period (Alareeni & Hamdan, 2020). Consequently, companies with stronger governance practices are expected to create greater value and achieve higher levels of profitability.

Several previous studies provide empirical evidence regarding the relationship between governance disclosure and corporate profitability. Research conducted by Widiani & Sisdyani (2025), Trinurwati et al. (2026), and Buallay et al. (2022) found that governance disclosure significantly influences corporate profitability. In addition, Fatemi et al. (2018), Buallay et al. (2022), and Velte (2017) argue that optimal governance disclosure can improve corporate transparency, reduce agency conflicts, strengthen investor confidence, and enhance operational efficiency, which ultimately contributes to improved financial performance. The following hypothesis is put out in light of the theoretical justifications and empirical data mentioned above:
H3: The Governance Disclosure Score influences the profitability.

Method
This study adopts a quantitative approach using secondary data. The study population includes all SOEs listed on the IDX that have sustainability reporting data and complete financial statements available for the entire analysis period. This study uses the year pairs t and t+1, where the independent variable uses data from the 2022–2024 period (t), while the dependent variable uses data from the 2023–2025 period (t+1). Data were obtained from sustainability reports, annual reports, company financial statements, as well as the official websites of the IDX and the respective companies.

The sample was chosen using purposive sampling because of several specific characteristics including:

1. State-owned enterprises that were listed on the IDX during the entire study period.
2. Companies that kept on publishing sustainability reports every year from 2022 to 2024.
3. Companies that have full information about their Environmental Disclosure Score and Social Disclosure Score, Governance Disclosure Score, and profitability during the study period.

Table 1. Sample Selection Criteria

Num	Criterion	Total
1.	State-owned enterprises listed on the Indonesia Stock Exchange (IDX) from 2023 to 2025	26
2.	State-owned enterprises that did not consistently publish annual reports during period t1 and are available on the IDX website	(0)
3.	State-owned enterprises that have not consistently published sustainability reports during period t	(2)
	Number of companies meeting the criteria:	24
	Number of samples used over 3 years: 24 × 3 =	72

Source: Processed secondary data, 2026

There were 26 companies that met the sample selection criteria, resulting in a total of 72 data points. The analysis used multiple linear regression with SPSS version 25.It involved descriptive statistics and checks for classical assumptions like normality, multicollinearity, heteroscedasticity, and autocorrelation.Hypothesis testing was done using R squared, the F-test, and the t-test. These tests were done to see how sharing information about the environment, society, and governance affects the profits of state-owned companies listed on the IDX between 2023 and 2025.

Table 2. Variable Definitions and Measurements

Variables	Measurement
Environmental Disclosure Score (ED) Environmental factors indicate the degree to which a business focuses on sustainability efforts and managing its environmental effects, such as energy efficiency, waste management, carbon emissions reduction, and conservation of natural resources. (Negara et al., 2024)	The Environmental Disclosure Score, as shown in the Bloomberg ESG Disclosure Score, shows how much a company shares information about its environmental practices in its sustainability report. (Negara et al., 2024)
Social Disclosure Score (SD) The social dimension illustrates the degree of transparency exhibited by the company in revealing details about its employment practices, worker health and safety, human rights, customer interactions, and its social responsibility toward the community. (Wardhana & Hersugondo, 2025)	The Social Disclosure Score, as mentioned in the Bloomberg ESG Disclosure Score, shows how much social information a company shares in its sustainability report (Wardhana & Hersugondo, 2025)
Governance Disclosure Score (GD) The aspect of corporate governance illustrates how well the company adheres to the principles of transparency, accountability, independence, responsibility, and effective oversight via the structure of the board of commissioners, audit committee, and its anti-corruption policy (Farhati et al., 2024).	The Governance Disclosure Score from the Bloomberg ESG Disclosure Score shows how much information a company shares about its corporate governance in its sustainability reports (Farhati et al., 2024)
Profitability (ROA) Profitability reflects the company's ability to generate profits through the use of assets and	$ROA = \frac{\text{Net Income After Tax}}{\text{Total Assets}} \times 100\%$

assets owned by the company (Suzan & Ramadhani, 2023)	(Suzan & Ramadhani, 2023)

Source: Processed Data, 2026

Multiple Regression Analysis

$$ROA(it+1) = \alpha + \beta_1 EDS(it) + \beta_2 SDS(it) + \beta_3 GDS(it) + \varepsilon(it)$$

The model posits that corporate profitability is proxied by ROA. The regression model includes a constant (α) and regression coefficients (β1–β3) to test the effects of Environmental Disclosure, Social Disclosure, and Governance Disclosure on corporate profitability. The error term is denoted by ε, while i and t represent the firm and the observation year, respectively.

Results and Discussion

Table 3. Descriptive Statistical Test Result

Variables	N	Minimum	Maximum	Mean	Standard Deviation
Environment Score	72	1.00	90.62	52.1114	21.18250
Social Score	72	1.00	86.11	48.9479	18.43307
Governance Score	72	1.00	96.12	42.9014	42.21592
Profitability	72	.40	86.11	25.6012	31.15363

Source: SPSS Output Results (2026)

The table shows that the average environmental and social scores fall within the mid-range, indicating that disclosure of environmental and social aspects by state-owned enterprises is moderate. Meanwhile, the average governance score is lower than that of the other two aspects, with relatively high variation in disclosure levels across companies. The average profitability (ROA) score falls in the middle range, indicating that there is variation in companies' ability to generate profits. Overall, the variation in values across all variables is sufficient to support regression analysis in the next stage.

In the analysis of classical assumptions, four types of tests were conducted. The Kolmogorov-Smirnov test was used to check if the residuals follow a normal distribution.The test gave a p-value of 0.178, which is higher than 0.05.This means the residuals are normally distributed, and the model meets the normality assumption. Second, the multicollinearity test showed that the tolerance values for all variables were 0.863, 0.915, and 0.936, which are all above 0.10, and the VIF values were 1.158, 1.092, and 1.068, which are all below 10.This means the regression model does not have multicollinearity. Third, the heteroscedasticity test using the Glejser method showed significant values of 0.452, 0.058, and 0.119, all of which are higher than 0.05, meaning the model does not have heteroscedasticity. Fourth, in the autocorrelation test, the Durbin-Watson statistic is 2.075, which lies between the values dL and 4 − dU.The interval is 1.7054 to 2.2946, and since 2.075 is inside this range, it shows that the regression model does not have autocorrelation. Based on these results, the regression model is seen as appropriate for testing hypotheses.

Table 4. Determinan Coefisien Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.993[a]	.985	.985	.00940

Source: SPSS output (2026)

The adjusted R-squared value in the table is 0.985. With this value, the environmental score, social score, and governance score explain 98.5% of the variation in corporate profitability. Conversely, the remaining 1.5% of the variation stems from factors outside the research model.

Tabel 5. F Statistical Test Result

	Sum of Squares	df	Mean Square	F	Sig.
Regression	.403	3	.134	1520.128	.000[b]
Residual	.006	68	.000		

Total	.409	71			

Source: SPSS output (2026)

According to the results of the simultaneous significance test, a significance value of 0.000 was obtained, which does not exceed the significance level of 0.05. This demonstrates that the independent variables collectively exert a significant influence on the dependent variable. Therefore, the regression model used in this study is considered valid and meets the model validity criteria (passed the F-test).

Tabel 6. Statistical t Test Result

Variable	B	Sig.	Conclusion
Constanta	1,011	0,000	-
Environmental Score	-0,000087	0,127	Not signifikan (H1 Rejected)
Social Score	0,019	0,000	Significant, positif (H2 accepted)
Governance Score	-0,017	0,000	Significant, negatif (H3 accepted)

Source: SPSS output (2026)

The Effect of Environmental Score on Profitability

Based on hypothesis testing, evidence was found that environmental scores do not yet have a significant impact on corporate profitability. The implementation of environmental aspects reflected in the sustainability reports of the sample companies generally remains focused on long-term sustainability activities, such as energy conservation, emissions reduction, waste management, and compliance with environmental policies—the economic benefits of which cannot yet be directly felt by the companies. Thus, sustainability practices that have the potential to create operational cost efficiencies and improve productivity have not been consistently proven to strengthen corporate profitability. From the perspective of Legitimacy Theory, companies engage in environmental activities to gain and maintain legitimacy among the public and stakeholders. However, this legitimacy has not yet translated into increased corporate profits in the short term. These findings supportSaputri et al. (2023), who concluded that environmental aspects do not have a significant impact on a company's financial performance, as well as Aydoğmuş et al. (2022),who emphasized that the contribution of the environmental dimension in ESG tends to be weak if it is not accompanied by tangible and measurable sustainability implementation.

The Effect of Social Score on Profitability

The results of this study indicate that social score levels contribute positively and significantly to increased corporate profitability. These findings suggest that the social dimension is the aspect of sustainability reporting that most rapidly yields economic benefits for companies. The implementation of social aspects—including labor protection, occupational safety and health, employee well-being, human resource development, and social contributions to the community—demonstrates a company's ability to effectively manage relationships with its stakeholders. From the perspective of Stakeholder Theory, companies that are able to meet stakeholder expectations will gain support that can enhance productivity, operational efficiency, and business sustainability. Furthermore, according to Signaling Theory, a high social score sends a positive signal regarding a company's commitment to social responsibility and business sustainability. These conditions ultimately contribute to increased corporate profitability. These findings align with the research by Mohammad & Wasiuzzaman (2021),which found that stakeholder-oriented sustainability practices can improve corporate profitability, as well as that of Buallay et al. (2022),which showed that the social dimension makes a positive contribution to a company's financial performance.

The Effect of the Governance Score on Profitability

Based on hypothesis testing, evidence was obtained that the governance score has a negative and significant effect on corporate profitability. The implementation of optimal corporate management in sustainability reporting practices generally entails costs related to compliance, oversight, internal controls, and adjustments to various applicable regulations. Therefore, the economic benefits of implementing optimal corporate management cannot yet fully offset the implementation costs incurred by the company in the short term. Consequently, an increase in the governance score was actually followed by a decline in the company's profitability during the study period. According to Signaling Theory, optimal corporate management should serve as a positive indicator of management quality, transparency, and corporate accountability. However, in state-owned enterprises (SOEs), the economic benefits of implementing such governance practices may not yet be fully realized, and thus have not yet strengthened corporate profitability in the short term. These findings are consistent with the research by Aydoğmuş et al. (2022), which found that governance dimensions do not always have a positive impact on a company's financial performance, particularly for companies in the process of adapting to ESG and sustainability practices.

Conclusion

Overall, this study demonstrates that the effect of sustainability reporting on the profitability of Indonesian state-owned enterprises varies across the ESG dimensions examined. The findings indicate that the environmental score does not have a significant effect on corporate profitability, suggesting that environmental disclosure has not yet contributed directly to improving companies' financial performance. In contrast, the social score has a positive and significant effect on profitability, implying that stronger social practices can enhance productivity, strengthen relationships with stakeholders, and create economic value that contributes to higher corporate earnings. Meanwhile, the governance score is found to have a negative and significant effect on profitability. This finding suggests that the implementation of good corporate governance requires substantial expenditures related to compliance, monitoring, internal control systems, and adaptation to regulatory requirements, which may reduce profitability in the short term.

Based on these findings, companies are expected not only to improve the quality of their sustainability reporting but also to ensure that sustainability practices generate tangible economic benefits for the organization. The integration of ESG considerations into business strategies and operational activities is essential to support the creation of sustainable economic value. This study is subject to several limitations, including the relatively short observation period of 2023–2025 and the restriction of the sample to state-owned enterprises listed on the Indonesia Stock Exchange (IDX), which limits the generalizability of the findings to other industries. Furthermore, although the coefficient of determination indicates a very high explanatory power of 98.5%, there remains 1.5% of the variation in profitability that is explained by factors outside the research model. Therefore, future studies are encouraged to incorporate additional variables such as firm size, leverage, operational efficiency, liquidity, and firm growth, as well as alternative measures of profitability such as Return on Equity (ROE) and Net Profit Margin (NPM), to have a deeper comprehension of the connection between company financial success and sustainability reporting.

Bibliography

Agusti, I., Susanto, I. R., & Halidingi, S. (2026). The Effect Of Esg Performance On Profitability Among Companies Listed On The Indonesian Stock Exchange. Https://Doi.Org/10.59246/Muqaddimah.V2i4

Alareeni, B. A., & Hamdan, A. (2020). Esg Impact On Performance Of Us S&P 500-Listed Firms. Corporate Governance (Bingley), 20(7), 1409–1428. Https://Doi.Org/10.1108/Cg-06-2020-0258

Al-Tahat, S., Bani-Khaled, S., Jaradat, Z., Mansour, M., & Al-Zoubi, A. M. (2025). State Ownership As A Moderator In The Relationship Between Board Characteristics And Esg Performance: Evidence From Asia-Pacific Markets. Journal Of Business And Socio-Economic Development, 1–22. Https://Doi.Org/10.1108/Jbsed-05-2025-0145

Arofah, S. N., & Khomsiyah. (2023). Pengaruh Good Corporate Governance Dan Environmental Social Governance Terhadap Nilai Perusahaan Dengan Kinerja Keuangan Sebagai Moderasi. Jurnal Informatika Ekonomi Bisnis, 125–133. Https://Doi.Org/10.37034/Infeb.V5i1.208

Aydoğmuş, M., Gülay, G., & Ergun, K. (2022). Impact Of Esg Performance On Firm Value And Profitability. In Borsa Istanbul Review (Vol. 22, Pp. S119–S127). Borsa Istanbul Anonim Sirketi. Https://Doi.Org/10.1016/J.Bir.2022.11.006

Buallay, A., Al-Ajmi, J., & Barone, E. (2022). Sustainability Engagement's Impact On Tourism Sector Performance: Linear And Nonlinear Models. Journal Of Organizational Change Management, 35(2), 361–384. Https://Doi.Org/10.1108/Jocm-10-2020-0308

Connelly, B. L., Certo, S. T., Ireland, R. D., & Reutzel, C. R. (2011). Signaling Theory: A Review And Assessment. In Journal Of Management (Vol. 37, Number 1, Pp. 39–67). Https://Doi.Org/10.1177/0149206310388419

Deegan, C. (2002). Introduction: The Legitimising Effect Of Social And Environmental Disclosures – A Theoretical Foundation. In Accounting, Auditing & Accountability Journal (Vol. 15, Number 3, Pp. 282–311). Https://Doi.Org/10.1108/09513570210435852

Dowling, J., & Pfeffer, J. (1975). Organizational Legitimacy: Social Values And Organizational Behavior. Https://Doi.Org/Https://Doi.Org/10.2307/1388226

Durlista, M. A., & Wahyudi, I. (2023). Pengaruh Pengungkapan Environmental, Social, Dan Governance (Esg) Terhadap Kinerja Perusahaan Pads Sub Sektor Pertambangan Batu Bara Periode 2017-2022.

Elvira, D. (2026). Esg, Good Corporate Governance, Dan Profitabilitas Sebagai Determinan Kinerja Keuangan. Jurnal Bina Akuntansi, 13(1). Https://Doi.Org/10.52859/Jba.V13i1.889

Farhati, F. M., Sampurno, R. D., & Almadana, A. V. (2024). Analisis Pengaruh Environmental, Social, And Governance Disclosure Score Terhadap Return On Asset Perusahaan Dengan Leverage Dan Asset Turnover Sebagai Variabel Kontrol (Studi Pada Perusahaan Publik Non-Keuangan Di Negara Asean Periode 2016-2022). Diponegoro Journal Of Management, 13(1), 1–12. Http://Ejournal-S1.Undip.Ac.Id/Index.Php/Management

Fatemi, A., Glaum, M., & Kaiser, S. (2018). Esg Performance And Firm Value: The Moderating Role Of Disclosure. Global Finance Journal, 38, 45–64. Https://Doi.Org/10.1016/J.Gfj.2017.03.001

Freeman, R. E. (1984). Strategic Management.

Grewal, J., Hauptmann, C., & Serafeim, G. (2020). Material Sustainability Information And Stock Price Informativeness. Https://Ssrn.Com/Abstract=2966144

Gri. (2021). Gri 1: Landasan 2021.

Jensen, M. C., & Meckling, W. H. (1976). Theory Of The Firm: Managerial Behavior, Agency Coast And Ownership Structure. In Journal Of Financial Economics (Vol. 3). Q North-Holland Publishing Company.

Lukman, S., Rahim, R., & Adrianto, F. (2025). Does Esg Disclosure Affect Profitability? Evidence From Shariah-Compliant Firms In Indonesia And Malaysia. Jurnal Manajemen Universitas Bung Hatta, 20(2).

Mahmood, A., Mehmood, A., Terzani, S., De Luca, F., & Djajadikerta, H. G. (2025). The Effect Of Esg Disclosure On Firm Value In The European Context. Management Decision. Https://Doi.Org/10.1108/Md-10-2024-2480

Mohammad, W. M. W., & Wasiuzzaman, S. (2021). Environmental, Social And Governance (Esg) Disclosure, Competitive Advantage And Performance Of Firms In Malaysia. Cleaner Environmental Systems, 2. Https://Doi.Org/10.1016/J.Cesys.2021.100015

Nainggolan, P. A., & Siswanti, I. (2025). The Influence Of Esg, Green Finance, And Efficiency On Company Value Through Financial Performance At Kbmi 3 And Kbmi 4 Banks. Http://Www.Ijosmas.Org

Negara, N. G. P., Ishak, G., & Priambodo, R. E. A. (2024). Impact Of Esg Disclosure Score On Firm Value: Empirical Evidence From Esg Listed Company In Indonesia Stock Exchange. European Journal Of Business And Management Research, 9(2), 114–118. Https://Doi.Org/10.24018/Ejbmr.2024.9.2.2064

Nguyen, V. H. (2025). Corporate Social Responsibility Disclosure And Firm Value: A Signaling Theory Perspective. Journal Of Economics And Development, 27(2), 114–128. Https://Doi.Org/10.1108/Jed-02-2024-0067

Nur Hana Putri Nabila, & Ira Guslina Sufa. (2025). Laba Konsolidasi Bumn Anjlok 7,03%, Wamen Tiko Ungkap Faktor Penyebabnya . Katadata.

O'donovan, G. (2002). Environmental Disclosures In The Annual Report: Extending The Applicability And Predictive Power Of Legitimacy Theory. In Accounting, Auditing & Accountability Journal (Vol. 15, Number 3, Pp. 344–371). Https://Doi.Org/10.1108/09513570210435870

Oecd. (2023). G20/Oecd Principles Of Corporate Governance 2023. Https://Doi.Org/10.1787/Ed750b30-En

Ojk. (2017). Sal Pojk 51 - Keuangan Berkelanjutan.

Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate Social And Financial Performance: A Meta-Analysis. Www.Sagepublications.Com

Rahelliamelinda, L., & Handoko, J. (2024). Profitabilitas Sebagai Moderating Pengaruh Kinerja Esg, Green Inovation, Eco_ Efficiency Terhadap Nilai Perusahaan. Jurnal Informasi, Perpajakan, Akuntansi, Dan Keuangan Publik, 19(1), 145–170. Https://Doi.Org/10.25105/Jipak.V19i1.19191

Ross, S. A. (1997). The Determination Of Financial Structure: The Incentive-Signalling Approach.

Saputri, S. A., Maharani, B., & Prasetya, W. A. (2023). Pengaruh Kinerja Lingkungan,Pengungkapan Lingkungan, Dan Biaya Lingkungan Terhadap Nilai Perusahaan.

Setiyanto, A. R., Haryanto, S., & Sunardi. (2023). Mampukah Publikasi Akuntansi Lingkungan Menjadi Pengungkit Kinerja Keuangan. Jurnal Ekonomi Modernisasi. Https://Doi.Org/10.21067/Jem.V19i3.9139

Spence, J. M. (1973). Job Market Signaling. In Source: The Quarterly Journal Of Economics (Vol. 87, Number 3).

Suchman, M. C. (1995). Managing Legitimacy: Strategic And Institutional Approaches.

Sumani, S., & Limawan, T. L. (2024). The Induce Of Environmental And Social Disclosure On Stock Returns. Jurnal Manajemen Maranatha, 24(1), 61–74. Https://Doi.Org/10.28932/Jmm.V24i1.9811

Suzan, L., & Ramadhani, N. I. (2023). Firm Value Factors: The Effect Of Intellectual Capital, Managerial Ownership, And Profitability. Jurnal Akuntansi, 27(3), 401–420. Https://Doi.Org/10.24912/Ja.V27i3.1487

Trinurwati, E., Dewi, A. K., & Yuniarti, E. (2026). Pengaruh Faktor Environmental Disclosure, Social Disclosure, Governance Disclosure Dan Firm Size Terhadap Profitabilitas. Journal Of Authentic Research, 5(1), 495–509. Https://Doi.Org/10.36312/Zpd5a469

Umbing, G. B., Yuniati, A., & Wardani, S. K. (2024). Esg Performance, Green Banking Disclosure Dan Nilai Perusahaan: Bukti Empiris Di Indonesia. Journal Of Business And Information Systems, 6(2). Https://Doi.Org/10.36067/Jbis.V6i2.257

Utami, D. Y., & Machmuddah, Z. (2026). Peran Profitabilitas: Environmental, Scial, Dan Governance Disclosure Terhadap Nilai Perusahaan. Jurnal Akuntansi Dan Keuangan.

Velte, P. (2017). Does Esg Performance Have An Impact On Financial Performance? Evidence From Germany. Journal Of Global Responsibility, 8(2), 169–178. Https://Doi.Org/10.1108/Jgr-11-2016-0029

Wardhana, A. A., & Hersugondo. (2025). Economic And Business Horizon Environmental, Social, And Governance Disclosure Effects On Firm Value, Profitability, And Capital Structure In Indonesia. Economic And Business Horizon.

Widiani, N. M., & Sisdyani, E. A. (2025). The Effect Of Environmental, Social, Governance Disclosure And Intellectual Capital On Profitability. E-Jurnal Akuntansi, 35(9). Https://Doi.Org/10.24843/Eja.2025.V35.I09.P05

Wijaya, Hans D., & Iryanto, B. W. (2024). The Influence Of Corporate Social Responsibility (Csr) And Environmental Social Governance (Esg) Disclosure On Profitability In Companies In The Idx Esg & Idx Hidiv20 Sector From 2020 To 2023. Journal Of Indonesian Social Sciences, 5(11). Http://Jiss.Publikasiindonesia.Id/

Wijayanti, R., & Setiawan, D. (2023). The Role Of The Board Of Directors And The Sharia Supervisory Board On Sustainability Reports. Journal Of Open Innovation: Technology, Market, And Complexity, 9(3). Https://Doi.Org/10.1016/J.Joitmc.2023.100083

Yolanda, A. M. W., Darmawati, Hamzah, B., & Herdiyana, A. (2026). Fundamental And Applied Management Journal Esg Disclosure And Firm Performance: Evidence On Profitability, Market Value, And Cost Of Debt From Indonesia. Fundamental And Applied Management Journal, 4(1). Https://Doi.Org/10.66314/Famj.V4i1.635