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THE EFFECT OF PROFITABILITY AND GOOD CORPORATE GOVERNANCE ON SUSTAINABILITY REPORT DISCLOSURE IN STATE-OWNED BANKING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE 2017-2023

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Abstract

This research was motivated by the low level of sustainability report disclosure in Indonesia compared to other ASEAN countries, with a disclosure rate of only 54%. This condition is a serious concern considering Regulation Number 51/POJK.03/2017 has required all financial service institutions, issuers, and public companies to prepare sustainability reports. The target of this research was to analyze the effect of Profitability and Good Corporate Governance (GCG), both partially and simultaneously, on Sustainability Report disclosure in state-owned banking companies written on the IDX for the period 2017-2023. The research method utilized is descriptive quantitative with secondary data in the form of annual reports, sustainability reports, and CGPI indexes from five state-owned banking companies. The analysis technique utilized panel data regression through EViews 12 software. The results reveal that profitability, proxied by ROA, possesses no significant effect on Sustainability Report disclosure, while GCG had a positive and significant effect. Simultaneously, both variables posseses a significant effect, with an R-squared value of 58.95%, indicating the ability of the model to explain variations in Sustainability Report disclosure**.**

Keywords: Profitability, Return on Assets (ROA), Good Corporate Governance (GCG), Corporate Governance Perception Index (CGPI), Sustainability Report.

Abstrak

Penelitian ini dilatarbelakangi oleh minimnya tingkat pengungkapan *sustainability report* di Indonesia dibandingkan negara-negara ASEAN lainnya, dengan *disclosure rate* yang hanya 54%. Kondisi ini menjadi perhatian serius mengingat Peraturan Nomor 51/POJK.03/2017 telah mewajibkan seluruh lembaga jasa keuangan, emiten, dan perusahaan publik untuk menulis laporan berkelanjutan. Tujuan penelitian ini ialah guna mendiskusikan pengaruh Profitabilitas dan *Good Corporate Governance* (GCG), baik secara parsial maupun simultan, terhadap pengungkapan SR pada perusahaan perbankan BUMN yang terdaftar di BEI periode 2017–2023. Metode penelitian yang dipergunakan adalah deskriptif kuantitatif dengan data sekunder yakni laporan tahunan, laporan keberlanjutan, dan indeks CGPI dari lima perusahaan perbankan BUMN. Teknik analisis memanfaatkan regresi data panel melalui software EViews 12. Temuan penelitian memperlihatkan bahwasanya Profitabilitas yang diproksikan dengan ROA tidak berpengaruh signifikan terhadap pengungkapan SR, sedangkan GCG berpengaruh positif dan signifikan. Secara simultan, kedua variabel tersebut berpengaruh signifikan, dengan nilai R-squared sebesar 58,95%, menunjukkan kemampuan model dalam menjelaskan variasi pengungkapan SR.

Kata Kunci: Profitabilitas, *Return on Assets* (ROA), *Good Corporate Governance* (GCG), *Corporate Governance Perception Index* (CGPI), *Sustainability Report*.

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INTRODUCTION

In the context of the Industrial Revolution 4.0, technological advancement and knowledge development have intensified competition across industries. Companies are therefore required to operate efficiently and strategically to maintain competitiveness. As key contributors to national economic growth, businesses must not only fulfill market demands and create employment but also recognize the broader social and environmental impacts of their operations. Their survival and growth are closely intertwined with their responsibilities toward the communities and ecosystems around them (Mutia & Wahyuni, 2018).

Over the last decade, sustainability reporting has acquired prominence as a corporate practice in response to rising stakeholder demands for transparency and accountability. Companies are enlargeingly expected to go beyond profit-seeking motives and take active roles in addressing social and environmental concerns (Trinanda et al., 2019; Habibie, 2023). However, some businesses continue to neglect these responsibilities, with adverse outcomes such as deforestation, pollution, and environmental degradation, often enabled by financial backing from major banks (Simanjuntak, 2021; Syahni, 2022).

The financing of environmentally harmful industries by banking institutions, particularly in Indonesia, illustrates the urgent need for stronger sustainability commitments. Reports stipulate that state-owned banks have provided significant funding to coal and mining companies despite their involvement in ecological damage and human rights violations. Such practices have provoked public criticism, including demonstrations by environmental NGOs urging banks to conform their operations with Indonesia's net-zero emissions target by 2060 (Aranditio, 2023).

Given this context, sustainability reporting is essential not only for improving a company's public image but also for fostering long-term stakeholder trust and informing investment decisions (Adhipradana & Daljono, 2013; Fadhilah, 2018). This shift reflects a broader adoption of the triple bottom line framework—profit, people, and planet—encouraging businesses to integrate environmental and social dimensions into their operational and strategic goals (Br Bangun, 2022; Ariastini & Semara, 2019).

Sustainability reporting is also intrinsically linked to the principles of good corporate governance (GCG), which emphasize transparency, accountability, and stakeholder engagement (Aliniar & Wahyuni, 2017; Putri & Surifah, 2023). GCG strengthens institutional credibility and enhances sustainability performance, while profitability serves as an enabling factor. Profitable companies have greater capacity and flexibility to invest in sustainability initiatives and report on them transparently (Iswandi, 2022; Tista & Putri, 2020; Hackston & Milne, 1996).

State-owned banks (BUMN) play a pivotal role in implementing sustainable finance practices due to their strategic position in Indonesia's economy. Despite their obligations under OJK Regulation No. 51/POJK.03/2017 to publish annual sustainability reports, inconsistencies in disclosure levels suggest that internal governance quality and financial performance significantly influence reporting behavior. This highlights the need for a bigger understanding of the determinants of sustainability disclosure in this sector.

Therefore, this research inspects the influence of profitability and good corporate governance on the disclosure of sustainability reports in Indonesian state-owned banks written on the Indonesia Stock Exchange (IDX). Focutilizing on five major banks—Bank Mandiri, BNI,

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BRI, BTN, and BSI—this research goals to appraise how financial and governance factors affect sustainability transparency. The findings are expected to contribute to the broader discourse on corporate accountability and support policy formulation for sustainable banking practices.

METHODOLOGY

The method implemented in this research is the descriptive verification method. This research also implements a quantitative approach derived from positivist philosophy to research certain populations or samples (Sugiyono, 2019). The research data are secondary data formulated from the research population, namely state-owned banks that are conformly written on the Corporate Governance Perception Index (CGPI) written on the IDX for the 2017-2023 period totaling 5 companies. This research sample was picked through purposive sampling technique with the these criteria: 1) BUMN banking companies that periodically report financial reports on the Indonesia Stock Exchange for the period 2017-2023; 2) State-owned banking companies that are conformly written on the Corporate Governance Perception Index (CGPI) for the period 2017-2023; 3) State-owned banking companies that publish sustainability report disclosures for the 2017-2023 period in a row. The number of sample observations in this research was 35. This research utilizes the type of combined data or panel data, namely data resulting from the collaboration of time series and cross section data. The data needed in this research were collected utilizing the documentation research technique, literature research. The data were then inspected utilizing descriptive statistical analysis techniques, inferential analysis, classical assumption tests, and hypothesis testing.

RESULT AND DISCUSSION

Research Results

This research was overseen at state-owned banking companies written on the IDX in 2017-2023. There are five banks that were sampled in this research, so the amount of data utilized in this research was 35 data. The panel data regression model of the effect of Profitability (ROA) and Good Corporate Governance on Sustainability Report Disclosure obtained the these output:

Table 1. Panel Data Regression Test Results

Dependent Variable: Y
Method: Panel Least Squares
Date: 05/08/25 Time: 14:34
Sample: 2017 2023
Periods included: 7
Cross-sections included: 5
Total panel (balanced) observations: 35

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.358017	1.345383	-4.725804	0.0001
X1	0.048501	0.036544	1.327186	0.1952

X2	0.073326	0.014741	4.974216	0.0000

Source: EViews 12 Output Data (data processed)

Derived from the regression estimation results, the coefficients in the model could be explicated as follows. The constant value of -6.358 stipulates that if profitability (ROA) and good corporate governance (GCG) are forecasted to be zero, then the level of sustainability report disclosure in state-owned banking companies written on the IDX in 2017-2023 is estimated at -6.358. The ROA coefficient of 0.0485 reveals a positive direction of influence, which means that every 1% increase in ROA is predicted to increase sustainability report disclosure by 0.0485. However, with a probability value of 0.1952 (> 0.05), the effect is not statistically significant. In contrast, the GCG variable reveals a coefficient of 0.0733 with a positive direction and a probability value of 0.0000, which stipulates a significant effect at the 5% significance level. This means that every 1% increase in GCG score is expected to increase the level of sustainability report disclosure by 0.0733. These results stipulate that state-owned banking companies that enact the principles of good corporate governance better tend to possess a higher level of sustainability report disclosure.

Furthermore, the coefficient of determination test is executed to determine the results of how much influence Profitability (ROA) and Good Corporate Governance have on Sustainability Report Disclosure through the processing results displayed in these table:

Table 2. Determination Coefficient Test Results

Cross-section fixed (dummy variables)			
Root MSE	0.129401	R-squared	0.589491
Mean dependent var	0.425714	Adjusted R-squared	0.501525
S.D. dependent var	0.204914	S.E. of regression	0.144675
Akaike info criterion	-0.851794	Sum squared resid	0.586066
Schwarz criterion	-0.540725	Log likelihood	21.90640
Hannan-Quinn criter.	-0.744413	F-statistic	6.701342
Durbin-Watson stat	1.358730	Prob(F-statistic)	0.000177

Source: EViews 12 Output Data (data processed)

The findings of the regression analysis reveal that the model utilized to test the effect of profitability (X1) and good corporate governance (X2) on sustainability reports (Y) in state-owned banking companies written on the IDX in 2017-2023 has an R-squared value of 0.589491. This stipulates that about 58.89% of the variation in the sustainability report could be elaborated by the profitability and good corporate governance variables in the model, while the 41.11% is influenced by other factors outside the variables studied.

The these is a summary of the results of testing the effect of profitability (ROA) and good corporate governance on sustainability report disclosure.

Table 3. T Test Results (Partial)

Dependent Variable: Y
Method: Panel Least Squares

Date: 05/08/25 Time: 14:34
Sample: 2017 2023
Periods included: 7
Cross-sections included: 5
Total panel (balanced) observations: 35

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.358017	1.345383	-4.725804	0.0001
X1	0.048501	0.036544	1.327186	0.1952
X2	0.073326	0.014741	4.974216	0.0000

Source: EViews 12 Output Data (data processed)

The partial test (t-test) overseen utilizing EViews 12 reveals that the Profitability variable (X1) has a p-value of 0.1952. Since this value surpasss the predetermined significance threshold of 0.05 (0.1952 > 0.05), the null hypothesis (Ho) is accepted and the alternative hypothesis (Ha) is rejected. This result suggests that there is insufficient statistical evidence to conclude that profitability significantly influences the disclosure of sustainability reports amid state-owned banking institutions written on the Indonesia Stock Exchange (IDX) on the 2017–2023 period. In essence, the profitability level of these companies does not appear to be a decisive factor in determining the extent to which sustainability information is disclosed.

The these is a summary of the results of testing the effect of profitability (ROA) and good corporate governance on sustainability report disclosure.

Table 4. F Test Results (Simultaneous)

Cross-section fixed (dummy variables)			
Root MSE	0.129401	R-squared	0.589491
Mean dependent var	0.425714	Adjusted R-squared	0.501525
S.D. dependent var	0.204914	S.E. of regression	0.144675
Akaike info criterion	-0.851794	Sum squared resid	0.586066
Schwarz criterion	-0.540725	Log likelihood	21.90640
Hannan-Quinn criter.	-0.744413	F-statistic	6.701342
Durbin-Watson stat	1.358730	Prob(F-statistic)	0.000177

Source: EViews 12 Output Data (data processed)

Derived from the estimation results, the F-statistic value is 6.701342 with a probability value (Prob. F-statistic) of 0.000177. Because the probability value is much below than the significance level (0.000177 <0.05), the decision formulated is to reject Ho and Ha is accepted. Thus, it could be said that simultaneously the variables X1 (Profitability) and X2 (Good Corporate Governance) posseses a significant effect on variable Y (Sustainability Report).

Discussion

Analysis of the Effect of Profitability on Sustainability Report Disclosure in State-Owned Banking Companies Listed on the IDX 2017-2023

The analysis of the first hypothesis demonstrated that profitability, calculated by Return on Assets (ROA), does not significantly impact the extent of sustainability report disclosure amid state-owned banks written on the Indonesia Stock Exchange (IDX) on the 2017–2023 period. This conclusion is supported by a probability value of 0.1952, which surpasss the 0.05 significance level, leading to the acceptance of the null hypothesis. These findings are inconform with the theoretical framework proposed by Ghozali (2020), who argued that higher profitability should enable companies to engage more actively in sustainability disclosures. However, the results are conformed with studies by Nofita and Sebrina (2023) and Hermawan et al. (2021), who similarly detected either no significant relationship or even a negative association between profitability and sustainability reporting. Conversely, studies like Mujiani and Jayanti (2021) have suggested the opposite, pointing to the complex and context-dependent nature of this relationship.

This inconsistency is further illustrated by the descriptive data in this research. For instance, Bank Rakyat Indonesia, which reported the highest average ROA (3.3229%), did not achieve the highest level of sustainability disclosure. In contrast, Bank Tabungan Negara, despite having the lowest average ROA (0.9671%), exhibited the highest sustainability disclosure index (0.5843). These observations underscore that profitability is not the sole driver of sustainability reporting practices, particularly in the context of state-owned banks. Other influencing factors—such as regulatory compliance, the effectiveness of corporate governance mechanisms, and stakeholder expectations—appear to play more dominant roles in shaping a company's sustainability disclosure behavior.

Analysis of the Effect of Good Corporate Governance on Sustainability Report Disclosure in State-Owned Banking Companies Listed on the IDX 2017-2023

The results of the second hypothesis testing stipulate that Good Corporate Governance (GCG), calculated by the Corporate Governance Perception Index (CGPI), possesses a significant and positive effect on sustainability report disclosure amid state-owned banks written on the IDX on 2017–2023. A p-value of 0.0000 validates the statistical significance, supporting the acceptance of the alternative hypothesis. These findings conform with previous studies, such as those by Susadi and Kholmi (2021), which emphasize the role of robust governance practices in enhancing sustainability disclosure. The results reinforce the view that companies with higher CGPI scores tend to provide more comprehensive sustainability reporting, reflecting their commitment to transparency, accountability, and stakeholder responsiveness.

This relationship is conform with legitimacy and stakeholder theory, which suggest that companies adopt sustainability disclosures to maintain legitimacy and fulfill stakeholder expectations. Strong GCG mechanisms serve as internal drivers that foster reliable and transparent reporting practices. Descriptive data also support this, with Bank Mandiri—having the highest average CGPI score—exhibiting above-average sustainability disclosure levels. Despite differing findings, such as those reported by Rahmat (2022), which found no significant relationship, this research delivers valuable empirical evidence to the financial accounting literature. It highlights GCG as a strategic factor in nurturing accountability and transparency in the sustainability reporting practices of state-owned banks in Indonesia.

The findings of this research stipulate that Profitability (calculated by Return on Assets/ROA) and Good Corporate Governance (GCG) jointly posseses a statistically significant effect on the extent of sustainability report disclosure amid state-owned banking institutions written on the Indonesia Stock Exchange (IDX) on the 2017–2023 period. The panel data regression analysis reveals an F-statistic value of 6.701342 with a corresponding p-value of 0.000177, indicating that the alternative hypothesis is accepted. Furthermore, the coefficient of determination (R-squared) is 0.589491, suggesting that 58.89% of the variation in sustainability disclosure is elaborated by ROA and the Corporate Governance Perception Index (CGPI), while the 41.11% is likely attributed to external variables such as regulatory demands, corporate reputation, and organizational leadership characteristics.

Theoretically, this result conforms with stakeholder theory and legitimacy theory, which posit that companies are motivated to disclose sustainability information to achieve stakeholder expectations and maintain social legitimacy. The findings are conform with prior studies, including those by Hermawan et al. (2021) and Habibie (2023), which affirm the synergistic influence of financial performance and strong governance practices on enhancing sustainability transparency. Notably, this research finds that GCG exerts a more dominant influence than profitability, emphasizing the crucial role of governance structures in fostering a culture of accountability and transparency in sustainability reporting, particularly in the context of state-owned banking institutions facing enlargeing scrutiny from regulators, investors, and the public.

CONCLUSION

Derived from the findings of testing and data analysis, it could be deduced that profitability proxied through Return on Assets (ROA) possesses no significant effect on the disclosure of Sustainability Report in state-owned banking companies written on the IDX for the 2017-2023 period. Conversely, Good Corporate Governance (GCG) as calculated by the Corporate Governance Perception Index (CGPI) score is proven to have a positive and significant effect on Sustainability Report disclosure. Simultaneously, profitability and GCG together posseses a significant influence on sustainability disclosure, with GCG revealing a more dominant contribution in encouraging transparency and accountability of sustainability reporting in the state-owned banking sector.

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