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SDGs and Sustainability Reporting: Their Effect on Financial Performance of Energy Firms in Indonesia

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ABSTRACT

The growing global emphasis on sustainability has urged companies, particularly in the energy sector, to adopt sustainable practices and disclose non-financial information such as Sustainable Development Goals (SDGs) and Sustainability Reporting. However, previous studies show inconsistent findings regarding the impact of such disclosures on financial performance, indicating a research gap especially within the Indonesian energy sector, which is central to the transition toward a low-carbon economy. This research examines how SDGs and Sustainability Reporting disclosure affect the financial performance of energy sector companies on the Indonesia Stock Exchange (IDX) from 2019–2023. SDGs are evaluated through the SDGs Index utilizing the 17 global objectives, whereas Sustainability Reporting disclosure is measured via the Sustainability Reporting Disclosure Index (SRDI) based on GRI standards. Financial performance is represented by the Return on Assets (ROA) ratio. The study applies quantitative methodology with descriptive and verificative approaches, utilizing multiple linear regression analysis, classical assumption testing, and individual (t-test) as well as combined (F-test) hypothesis testing. Findings reveal that SDGs show no significant individual impact on financial performance, whereas Sustainability Reporting disclosure demonstrates a significant effect. Simultaneously, both variables affect financial performance. These findings suggest that enhanced sustainability disclosure can improve transparency and stakeholder trust, which may contribute positively to financial performance.

Keywords: Sustainable Development Goals, Sustainability Reporting, Financial Performance, ROA, Energy Sector

1. Introduction

The increasingly dynamic development of the global economy demands companies to continuously adapt and grow sustainably. As the main actors in economic activity, companies are no longer solely required to generate financial profit, but are also expected to consider sustainability aspects, including social responsibility, environmental care, and good corporate governance (Natasha & Surjadi, 2024). This pressure has intensified in recent years due to heightened investor awareness, regulatory demands, and global commitments to sustainability such as the Paris Agreement and the Sustainable Development Goals (SDGs). Despite extensive global discourse, empirical research examining the real impact of SDGs and sustainability reporting on financial performance particularly in Indonesia's energy sector during the post COVID-19 recovery period (2019–2023) remains limited. Therefore, this study offers novelty by combining the analysis of SDGs disclosure and Sustainability Reporting Disclosure Index (SRDI) simultaneously, and by focusing on the energy sector, which plays a pivotal role in the transition toward a low-carbon economy.

Nevertheless, amid these sustainability demands, financial performance remains vital for companies to survive and compete in an increasingly competitive business landscape. Financial performance serves as a key indicator in assessing how effectively a company manages its finances. According to M. Janah et al. (2024), financial performance reflects the extent to which financial functions are executed properly and in accordance with applicable standards. One of the tools used to measure it is financial ratio analysis, particularly profitability ratios such as Return on Assets (ROA) (Siregar et al., 2023; Wahyuni et al., 2019). ROA indicates the extent to which a company's assets are utilized to generate profit. A higher ROA reflects more efficient and effective asset utilization by management. The stakeholder theory supports the importance of ROA, stating that a good relationship between a company and its stakeholders can lead to efficiency, revenue growth, and risk reduction, all of which positively impact profitability (Siregar et al., 2023).

The energy sector is one of the most strategic sectors, playing a crucial role in supporting national economic development. Besides being the main energy provider, this sector also faces major challenges in meeting global sustainability goals, particularly the transition toward clean energy. According to Suryaningsum & Ayusulistyaningrum (2024), the energy sector features high variability in asset usage, business models (such as production, distribution, and exploration), and environmental impact, making it a compelling subject for deeper analysis. In Indonesia, companies in the energy sector show significant fluctuations in their financial performance. Laoli & Rhamadanty (2024) reported that PT Adaro Energi Indonesia Tbk (ADRO) experienced a 64% decline in net profit in 2023. PT Petrosea Tbk (PTRO) also recorded a drop in ROA from 6.9% to 1.7% in just one year. Suryaningsum & Ayusulistyaningrum (2024) noted that the ideal ROA standard for energy companies in Indonesia is 8.11%. However, as shown in table 1, many companies in this sector recorded ROAs below that standard during the 2019–2023 period.

Table 1. Return on Assets (ROA) of energy sector companies listed on the Indonesia Stock Exchange (IDX)

No	Code	Year	ROA	No	Code	Year	ROA
1.	BUMI	2019	0,26%	3.	PGAS	2019	1,53%
		2020	-9,90%			2020	-2,86%
		2021	5,29%			2021	4,85%
		2022	12,40%			2022	5,58%
		2023	0,64%			2023	5,71%
2.	ELSA	2019	5,24%	4.	WINS	2019	-6,80%
		2020	3,29%			2020	-6,78%
		2021	1,50%			2021	0,07%
		2022	4,28%			2022	0,45%
		2023	5,24%			2023	3,40%

Source: Data Processed 2025

The energy industry is grappling with various sustainability issues that are interconnected with the adoption of Sustainable Development Goals (SDGs). The SDGs, created by the United Nations, serve as a worldwide framework for tackling the obstacles to sustainable progress. According to Mio et al. (2020), SDGs consist of a set of interrelated goals designed to address social, economic, and environmental problems holistically. Alfiah & Arsjah (2021) emphasized that sustainability is a critical issue that organizations must currently address. In Indonesia, Presidential Regulation No. 59 of 2017 Article 1 Paragraph 10 encourages businesses to integrate SDGs into their corporate strategies. To measure a company's involvement with SDGs, this study uses the SDGs Index, as explained by (Husnah & Fahlevi, 2023). This index assesses how well a company discloses information related to the 17 SDGs. According to stakeholder theory, proper SDGs disclosure should have a positive impact on a company's financial performance (M. Janah et al., 2024). However, empirical data indicates that this relationship is not always linear. For example, PT AKR Corporindo Tbk (AKRA) saw its ROA drop from 5.15% to 0.57% even though its SDGs index increased from 0.41 to 0.59. In contrast, PT Indo Tambangraya Megah Tbk (ITMG) recorded an increase in ROA from 3.26% to 28.53% even as its SDGs index declined from 0.65 to 0.35. This illustrates that increased SDGs disclosure does not always lead to better financial performance, as shown in table 2.

Table 1. A Comparison of Return on Assets (ROA) and SDGs Index of Energy Sector Companies Listed on the Indonesia Stock Exchange (IDX)

Company Name	Year	SDGs Index	ROA
AKR Corporindo Tbk. (AKRA)	2019	0,71	3,28%
	2020	0,41	5,15%
	2021	0,59	0,57%
	2022	0,65	9,12%
	2023	0,65	10,18%
Indo Tambangraya Megah Tbk. (ITMG)	2019	0,35	10,46%
	2020	0,65	3,26%
	2021	0,35	28,53%
	2022	0,59	45,43%
	2023	0,88	22,84%

Source: Data Processed 2025

In addition to SDGs, Sustainability Reporting (SR) is also a crucial element in demonstrating a company's commitment to sustainability. POJK No. 51/POJK.03/2017 Article 10 Paragraph 1 requires listed companies and public companies to prepare sustainability reports. According to Herlambang et al. (2020), a sustainability report not only presents financial performance but also includes non-financial aspects such as social and environmental activities that support long-term business growth. The level of SR disclosure can be measured using the Sustainability Reporting Disclosure Index (SRDI), which follows the Global Reporting Initiative (GRI) standards (Widyasari, 2020). SRDI is the ratio between the number of sustainability items disclosed by a company and the total items required by the GRI standard. Research by Shaban & Barakat (2023) suggests that SR disclosure has a positive influence on financial performance. However, empirical findings in this study reveal otherwise. PT Indo Tambangraya Megah Tbk (ITMG) experienced a 7.2% drop in ROA when its SRDI increased from 0.23 to 0.39. Similarly, in 2023, although SRDI rose from 0.78 to 0.99, ROA decreased from 45.43% to 22.84%. Conversely, PT Wintermar Offshore Marine Tbk (WINS) recorded a 2.95% increase in ROA when its SRDI decreased from 0.56 to 0.29. These findings, shown in table 3, indicate that higher SR disclosure does not necessarily correspond to improved financial performance.

Table 2. A Comparison of Return on Assets (ROA) and SRDI of Energy Sector Companies Listed on the Indonesia Stock Exchange (IDX)

Company Name	Year	SRDI	ROA
Indo Tambangraya Megah Tbk. (ITMG)	2019	0,23	10,46%
	2020	0,39	3,26%
	2021	0,56	28,53%
	2022	0,78	45,43%
	2023	0,99	22,84%
Wintermar Offshore Marine Tbk. (WINS)	2019	0,2	-6,80%
	2020	0,19	-6,78%
	2021	0,19	0,07%
	2022	0,56	0,45%
	2023	0,29	3,40%

Source: Data Processed 2025

Previous studies also reported varying results. M. Janah et al. (2024) and Farida (2022) found that SDGs positively influence financial performance, while Wardan & Rizki (2024) reported a negative influence. Regarding SR, Shaban & Barakat (2023) found a positive impact on ROA, whereas Widyasari (2020) concluded that SR disclosure does not significantly influence financial performance. These conflicting results point to a research gap that requires further investigation, particularly in the context of the energy sector, which is complex and heavily affected by global sustainability pressures. The energy sector offers a distinctive

environment for studying how sustainability practices impact financial performance as we move towards a more environmentally friendly economy. Based on the previous background, this research intends to explore how sustainable development goals and sustainability reporting affect the financial performance of energy companies listed on the Indonesia Stock Exchange from 2019 to 2023.

2. Literature Review

2.1. Stakeholder Theory

Stakeholder theory emphasizes the importance of human relationships and interactions in the process of value creation and exchange, particularly within a dynamic and complex economic context. Freeman et al. (2020) explain that this theory is based on the view that business is not merely a profit-seeking entity, but rather a system of cooperation among individuals and groups who rely on each other to achieve shared goals which goals that could not be attained independently. Within this approach, an organization's success is largely determined by its ability to align values, social norms, and ethical principles held by its stakeholders. In other words, organizations need to take into account the needs and concerns of everyone affected, such as workers, clients, suppliers, shareholders, the local community, and the ecosystem. This alignment is not only essential for maintaining harmonious relationships, but also serves as a key mechanism for ensuring operational effectiveness and the long-term sustainability of the company (Freeman et al., 2020).

2.2. Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) are a set of global development goals aimed at promoting sustainable development across various sectors, including the business world. In Indonesia, the commitment to SDGs is reinforced through Presidential Regulation (*Perpres*) No. 59 of 2017 concerning the Implementation of Achieving Sustainable Development Goals, which stipulates that sustainable development is part of corporate responsibility in carrying out business activities that impact their social and economic environment. This indicates that companies are expected not only to pursue profit, but also to actively contribute to the achievement of global development goals. According to Farida (2022), SDGs are a long-term program that aims to optimize all the potential and resources owned by the company, meaning that companies are expected to strategically manage their full capacity in order to support long-term sustainability.

2.3. Sustainability Reporting (SR)

Sustainability Reporting (SR) is a document produced by businesses that reveals the consequences of their operations on the environment, economy, and society (Eriyanti, 2022). Sustainability reporting is a form of disclosure made by companies to communicate their economic conditions, environmental impacts, and social effects resulting from operational activities (Lestari et al., 2020). This type of reporting has become increasingly important as businesses recognize the need for transparency not only in financial matters but also in social and environmental issues as part of their commitment to sustainability (Putri et al., 2023). According to Putri et al. (2023), Sustainability Reporting is a tool used to assess company performance and show stakeholders where its performance falls short of sustainable development expectations. Therefore, sustainability reporting is not just a means of reporting, but also a tool for companies to assess and enhance their efforts in contributing to sustainable development goals.

2.4. Financial Performance

The financial status of a company is determined by its operational activities during a set time frame (Putri et al., 2023). Assessing financial performance is essential to determine how effectively a company manages its resources to achieve its business objectives. As explained by Herlambang et al. (2020), financial performance is the result of numerous individual decisions continuously made by a company's management. In other words, financial performance not only reflects the outcomes of financial activities but also serves as an indicator of the quality of long-term decision-making carried out by the management. Return on Assets (ROA) is a crucial metric that shows how efficiently a company utilizes its assets to generate profit by comparing net income to total assets (Kustinah, 2021).

2.5. Previous Research

A review of previous studies reveals diverse findings regarding the relationship between Sustainable Development Goals (SDGs), Sustainability Reporting (SR), and financial performance. Several studies indicate that SDGs and SR have a positive and significant impact on company financial performance. For example, research by Lawati & Hussainey (2022), Alfiah & Arsjah (2021), and Alhassan & Islam (2021) concluded that the implementation of SDGs and sustainability disclosure positively influence profitability indicators such as ROA and ROE. Similarly, Iqbal & Nosheen (2023) and Putri et al. (2023) emphasized the importance of integrating economic, social, and environmental aspects in sustainability reports to improve financial outcomes. However, some studies found insignificant or even negative effects. Wardan & Rizki (2024) found that SDGs had a significant negative effect on financial performance. Likewise, Jihan & Murwaningsari (2023) and Triwacananingrum & Silphianie (2023) reported that sustainability reports do not necessarily lead to significant financial improvements. Monteiro et al. (2024) and Widyasari (2020) also showed that SR disclosure had no significant impact on ROA. Other studies highlighted the partial effects of SDGs components, where environmental indicators tend to have a greater impact compared to social or economic indicators (Kabir Ibrahim et al., 2021; Wartabone et al., 2023; Nyereugwu & Ugonma, 2020). These findings suggest that the effects of SR and SDGs on financial performance are not absolute, but rather dependent on industry context, the indicators used, and the consistency of sustainability practices. Therefore, a research gap still exists in understanding the relationship between SDGs and SR on financial performance, especially within the energy sector, which faces unique sustainability challenges and operational complexities.

2.6. Framework

The theoretical framework serves as a guide in structuring this research to ensure a more focused and in-depth analysis. This framework is then visualized in the form of a schematic diagram. The conceptual framework developed in this study is presented as follows:

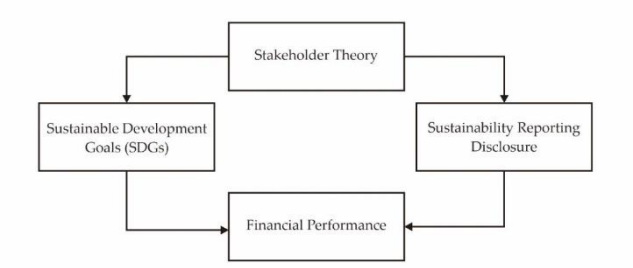

Figure 1. Research Framework

3. Methodology

3.1. Population and Sample

This study includes all energy sector companies that are publicly traded on the Indonesia Stock Exchange (IDX) between 2019 and 2023. The research utilizes a non-probability sampling technique known as purposive sampling. According to Sugiyono (2024), purposive sampling involves selecting samples in a way that is tailored to the specific goals of the research.

Based on this approach, the following three criteria were established for sample selection:

Table 4. Research Sample

No	Criteria	Number of Companies
1.	The company is classified under the energy sector and is listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period.	87
2.	The company consistently publishes both financial reports and sustainability reports for each year from 2019 to 2023.	-69
3.	The company demonstrates continuous implementation of sustainability practices throughout the 2019–2023 observation period.	-8
	Total Research Sample	10

Source: Data Processed 2025

Out of a total of 87 energy sector companies, only 10 met all the specified criteria. With an observation period of five years (2019–2023), the total number of research samples obtained was 50 observation units.

3.2. Opertional Definition of Variable

The operationalization of variables is carried out to identify the types and indicators of each variable involved in the study. This process aims to determine the appropriate measurement scale for each variable, ensuring that the selected statistical analysis tools can be applied accurately and effectively to test the research hypotheses. The operationalization of the variables in this study is depicted in the table below.

Table 5. Operational Variable

Variable	Concept	Indicator	Scale
Independent Variable (X_1) SDGs	The Sustainable Development Goals represent a framework for sustainable development that emphasizes environmental, social, economic, and empowerment dimensions (Tristiarto et al., 2024).	SDGs Index= $\frac{Disclosed\ Item}{Total\ Item}$ Description: - Disclosed items: The SDG goals disclosed by the company. - Total items: A total of 17 SDG goals (Tristiarto et al., 2024).	Ratio
Independent Variable (X_2) Sustainability Reporting Disclosure	The disclosure of sustainability reporting is a vital practice to convey information regarding economic, social, and environmental impacts to the public, and to assist organizations in evaluating whether these impacts are in line with sustainable development within the organization (Triwacananingrum & Silphianie, 2023).	SRDI= $\frac{Disclosed\ Score}{Maximum\ Score}$ Description: - SRDI: Sustainability Report Disclosure Index - Disclosed Score: The number of points obtained by the company based on the sustainability elements disclosed in the sustainability report. - Maximum Score: The highest possible score if all sustainability elements are disclosed (Triwacananingrum & Silphianie, 2023).	Ratio
Dependent Varibale (Y) Financial Performance	Financial performance refers to the outcomes or achievements of a company's management in utilizing the company's assets efficiently over a specific period (M. Janah et al., 2024).	Return On Asset = $\frac{EAT}{Total\ Asset} x100\%$ (M. Janah et al., 2024)	Ratio

Source: Data Processed 2025

3.3. Data Collection Techniques and Instruments

The data collection techniques in this study include literature review and documentation methods. The literature review was conducted by examining various sources such as books, scientific journals, previous research, and relevant websites, while the documentation method involved collecting data from relevant documents, including financial reports and records related to the company. The research employed a quantitative tool for data collection, utilizing statistical analysis on Microsoft Excel 2021 and subsequent data manipulation on IBM SPSS version 27.

3.4. Data Analysis

This study employs various analytical techniques to measure the influence of Sustainable Development Goals (SDGs) and Sustainability Reporting Disclosure on Financial Performance. Hypothesis testing begins

with the formulation of the null hypothesis (H_0) and the alternative hypothesis (H_1), both in partial and simultaneous contexts. The partial hypothesis tests the individual influence of SDGs and sustainability reporting disclosure on financial performance, while the simultaneous hypothesis tests the combined influence of both. H_0 states that there is no effect, whereas H_1 indicates a significant influence on financial performance.

The data analysis encompasses descriptive statistics to describe data characteristics and parametric inferential statistics to make population inferences. Before conducting regression analysis, classical assumption testing is performed, including normality assessment (Kolmogorov-Smirnov), multicollinearity evaluation (VIF and tolerance measures), heteroscedasticity examination (scatterplot review), and autocorrelation detection (Durbin-Watson test). Multiple linear regression examines the joint impact of independent variables, while correlation coefficient analysis measures relationship strength between variables. The coefficient of determination (R^2) indicates how much independent variables account for dependent variable variation. Hypothesis evaluation employs t-tests (for individual effects) and F-tests (for combined effects), with conclusions based on significance levels (Sig. < 0.05) and comparison between computed values and critical table values.

4. Results and Discussion

4.1. Results

4.1.1 Descriptive Statistics

Descriptive statistics are used to describe the characteristics of each variable, namely Sustainable Development Goals (SDGs), Sustainability Reporting (SR), and Return on Assets (ROA).

Table 6. Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
SDGs	50	.35	1.00	.7788	.17408
SR	50	.08	.99	.6081	.25430
ROA	50	-.10	.45	.0788	.10517
Valid N (listwise)	50				

Source: IBM SPSS 27 Output (Data Processed 2025)

The analytical findings reveal that SDGs disclosure averages 0.7788 with a standard deviation of 0.17408, suggesting minimal data variation. SR disclosure shows a mean of 0.6081 and standard deviation of 0.25430, demonstrating differences across companies. The ROA variable exhibits an average of 0.0788 with a standard deviation of 0.10517, showing significant variations in corporate profitability. The minimum and maximum values for all variables highlight the broad spectrum of performance among the companies studied.

4.1.2 Classical Assumption Tests

Table 7. Classical Assumption Test Results

No	Classical Assumption Test	Results	Decision
1.	Data Normality Test	Asymp.sig. (2-tailed) 0.195	Residual data is normally distributed.
2.	Multicollinearity Test	Tolerance value : SDGs and SR Disclosure = 0.984 > 0.10 VIF value : SDGs and SR Discloure = 1.016 < 10	There is no multicollinearity between variables in the regression model.
3.	Heteroscedasticity Test	From the plot distribution, there is no clear pattern, and the data is said to be scattered and not concentrated at a single point.	Data does not experience heteroscedacity.
4.	Autocorrelation Test	Durbin - Watson value = 1.699	There is no positive or negative autocorrelation.

Source: IBM SPSS 27 Output (Data Processed 2025)

4.1.3 Multiple Linear Regression Analysis

In order to assess how Sustainable Development Goals (SDGs) and sustainability reporting disclosure impact a company's financial performance (Return on Assets/ROA), researchers utilize multiple linear regression. The outcomes of the analysis can be found in the table below:

Table 8. Multiple Linear Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.026	.068		.386	.702
	SDGs	-.072	.080	-.119	-.898	.374
	SR	.178	.055	.431	3.254	.002
a. Dependent Variable: ROA						

Source: IBM SPSS 27 Output (Data Processed 2025)

The aforementioned equation for multiple linear regression can be utilized to analyze how the two variables independent of each other impact the company's financial performance. Below is a breakdown of the specific effects of each variable as outlined in the equation:

a) The constant value of 0.026 indicates that if both the SDGs and sustainability reporting variables are zero, the company's financial performance is estimated to be 0.026. This value represents the baseline condition of financial performance without any contribution from the two independent variables.
b) The regression coefficient for the Sustainable Development Goals (SDGs) variable (X_1) is -0.072, indicating a negative influence of SDGs implementation on financial performance. Increasing the SDGs score by one unit is projected to result in a decrease of 0.072 in the company's financial performance, with all other factors unchanged.
c) The regression coefficient for the sustainability reporting disclosure variable (X_2) is 0.178, showing a positive influence on financial performance. Conversely, for every additional unit of sustainability reporting disclosure, there is an anticipated rise of 0.178 in the company's financial performance if all other factors stay the same.

4.1.4 Correlation Analysis

Correlation analysis examines how closely variables are related to each other in a linear fashion. The results from the Pearson test indicate the level of association between the variables.

Table 9. Correlation Analysis Results

		SDGs	SR	ROA
SDGs	Pearson Correlation	1	.127	-.064
	Sig. (2-tailed)		.379	.658
	N	50	50	50
SR	Pearson Correlation	.127	1	.416**
	Sig. (2-tailed)	.379		.003
	N	50	50	50
ROA	Pearson Correlation	-.064	.416**	1
	Sig. (2-tailed)	.658	.003	
	N	50	50	50
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: IBM SPSS 27 Output (Data Processed 2025)

Interpretation:

a. The correlation between SDGs and ROA is weak and not significant (r = -0.064; Sig = 0.658), indicating no meaningful impact.

b. The correlation between SR and ROA is moderate and significant (r = 0.416; Sig = 0.003), suggesting that greater sustainability reporting disclosure is associated with better financial performance.

4.1.5 Coefficient of Determination Analysis

The factor of determination evaluates the extent to which the independent variables account for the differences in the dependent variable. The following outcomes are displayed:

Table 10. Coefficient of Determination Analysis Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.433[a]	.187	.153	.09681	1.699

a. Predictors: (Constant), SR, SDGs

b. Dependent Variable: ROA

Source: IBM SPSS 27 Output (Data Processed 2025)

SDGs and sustainability reporting explain nearly 20% of the differences in financial performance, leaving the majority of 80% unexplained by the model.

4.1.6 Partial Hypothesis Test (t-Test)

The study used a t-test to examine how each independent variable impacted the dependent variable on an individual basis. With a sample size (n) of 50 and two independent variables (k = 2), the degrees of freedom (df) is 47. The critical t-value at a 5% significance level (two-tailed) is 2.012.

Table 11. Partial Hypothesis Test (t-Test) Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.026	.068		.386	.702
	SDGs	-.072	.080	-.119	-.898	.374
	SR	.178	.055	.431	3.254	.002

a. Dependent Variable: ROA

Source: IBM SPSS 27 Output (Data Processed 2025)

Interpretation:

a. The t-value of the Sustainable Development Goals (SDGs) is -0.898, which falls below the t-table value (2.012), and has a significance value of 0.374, showing that the impact of SDGs on company financial performance, as measured by ROA, is not statistically significant.
b. The Sustainability Reporting (SR) variable shows a t-value of 3.254 and a significance level of 0.002 (< 0.05), indicating that sustainability reporting disclosure has a positive and significant effect on company financial performance.

4.1.7 Simultaneous Hypothesis Test (F-test)

The F-test is utilized to ascertain if there is a combined impact of SDGs and sustainability reporting on financial performance (ROA). In this case, with 50 samples and two independent variables, the F-table value at degrees of freedom (2;47) equals 3.19.

Table 12. Simultaneous Hypothesis Test (F-test) Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.101	2	.051	5.414	.008[b]
	Residual	.440	47	.009		
	Total	.542	49			

a. Dependent Variable: ROA

b. Predictors: (Constant), SR, SDGs

Source: IBM SPSS 27 Output (Data Processed 2025)

Since the F-calculated value (5.414) > F-table (3.19) and Sig. (0.008) < 0.05, H_0 is rejected. This indicates that SDGs and sustainability reporting have a significant joint effect on the company's financial performance.

4.2. Discussion

4.2.1 The Influence of Sustainable Development Goals (SDGs) on Financial Performance

The results show that Sustainable Development Goals (SDGs) do not have a significant effect on financial performance, as measured by Return on Assets (ROA). This suggests that SDG implementation has not yet made a direct contribution to company profitability in the short term. SDGs are long-term initiatives focused on environmental, social, and economic sustainability. Their impact on profitability especially ROA is not immediately visible, as this metric is more influenced by short-term operational efficiency and financial policy. Initial investments in SDG initiatives, such as eco-friendly technologies or CSR programs, tend to increase operating costs and reduce short-term profitability. According to stakeholder theory, these findings indicate that fulfilling stakeholder expectations has not yet translated into improved short-term financial performance. Although SDG implementation aligns with the interests of non-financial stakeholders, its impact on ROA remains limited, as many investors still prioritize measurable financial outcomes.

These findings validate the results of prior studies conducted by Arifianti & Widianingsih (2023), which also found that SDG implementation does not significantly affect ROA. Their study concluded that companies require time and appropriate strategies for sustainability initiatives to contribute meaningfully to financial goals. Based on the sample of 10 energy sector companies from 2019 to 2023, SDG implementation showed a yearly upward trend. Yet, this was not consistently followed by an increase in ROA, especially during the pandemic years (2020–2021), which caused broad economic pressure. Some companies with high SDG scores experienced declining ROA, suggesting that SDGs are not yet a key factor in driving asset efficiency or net income. Therefore, the findings reinforce that SDG implementation is a long-term strategic investment that may not immediately boost financial performance but holds substantial potential to enhance firm value, reputation, and operational sustainability over time.

4.2.2 The Influence of Sustainability Reporting Disclosure on Corporate Financial Performance

The findings indicate that disclosing sustainability reporting has a beneficial impact on financial performance, as shown by the Return on Assets (ROA) metric. Companies that are more transparent in disclosing sustainability information tend to gain greater trust from investors and stakeholders, ultimately enhancing efficiency and profitability. The act of sharing this information with the market conveys a message of strength in risk management, commitment to long-term planning, and adherence to principles of good corporate governance. In line with this, Jayanti (2022) report that companies need to provide external information to maintain their corporate image. This discovery backs up the stakeholder theory, which highlights the significance of meeting the expectations of all stakeholders, not just shareholders. By disclosing sustainability efforts, companies show concern for the environment, society, employees, and consumers. This transparency can enhance stakeholder loyalty, corporate reputation, and competitiveness leading to better financial outcomes like ROA (Sangkala, 2024).

The results correspond with the study undertaken by Shaban & Barakat (2023), who found a positive correlation between sustainability reporting and corporate profitability. Their study concluded that companies more active in sustainability disclosure tend to have more stable and sustainable financial performance. Data from 10 energy sector companies between 2019 and 2023 show that firms with consistently high SRDI scores (based on GRI standards) generally experienced more stable or improving ROA trends compared to those with lower disclosure levels. Although not all companies showed year-to-year improvements, the average ROA was better among those with strong sustainability disclosures indicating a positive relationship between sustainability practices and asset utilization efficiency. In conclusion, these results reinforce the view that sustainability reporting is not only a moral or regulatory obligation but also a strategic business approach that contributes directly to enhancing efficiency, profitability, and long-term business sustainability.

5. Conclusion

The purpose of this research is to examine the influence of Sustainable Development Goals (SDGs) and sustainability reporting disclosure on the financial performance of energy sector companies listed on the Indonesia Stock Exchange during the 2019–2023 period. Based on the data analysis and theoretical discussion in the previous chapters, it can be concluded that the implementation of SDGs does not have a significant impact on the companies' financial performance. This is because SDGs are long-term initiatives focused on environmental, social, and economic sustainability, and their impact on profitability such as Return on Assets (ROA) is not immediately visible. On the other hand, financial performance is greatly influenced in a positive way by the disclosure of sustainability reporting. Transparency in reporting sustainability efforts increases investor and stakeholder trust, while also strengthening the company's reputation and business strategy. Simultaneously, bboth SDGs and sustainability reporting disclosures have an impact on financial performance, suggesting that corporate value can be improved by prioritizing sustainability and transparency, although their contributions may vary depending on the timeframe.

This research suggests that businesses, especially those in the energy industry, should prioritize transparent and consistent sustainability reporting as a strategic communication tool to attract investment and improve stakeholder engagement. While long-term initiatives like SDGs may not show immediate financial returns, they remain crucial for meeting international sustainability standards and getting ready for upcoming changes in regulations and market trends. However, this research is constrained by its reliance on secondary information and its exclusive examination of publicly traded energy corporations in Indonesia, which may not represent other sectors or private firms. Future research could explore broader industry coverage, use qualitative approaches to assess internal SDGs implementation, or extend the time frame to better capture long-term impacts.

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