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Analysis of the Effect of Profitability, Leverage, and Firm Size on Sustainability Report Disclosure in Banking Industry Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

This study aims to analyze the effect of profitability, leverage, and firm size on the level of sustainability report disclosure in banking industry companies under KBMI Level 3 and 4. The population of this research consists of banking industry subsectors categorized as KBMI 3 and 4 listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023. A sustainability report reflects a company's commitment and responsibility toward society, and it is a mandatory requirement for financial institutions as regulated by the Financial Services Authority (OJK). In this study, profitability is measured using Return on Assets (ROA), leverage is measured using the Debt to Equity Ratio (DER), and firm size is represented by total assets. The research design is causal in nature, and data were analyzed using panel data regression with the assistance of EViews 13 software. Classical assumption tests—including normality, multicollinearity, autocorrelation, and heteroscedasticity tests—were conducted to ensure the validity of the regression model. The research population includes 46 banking industry companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, while the research sample consists of 12 banking companies. The results indicate that profitability and leverage have no significant effect on sustainability report disclosure, whereas firm size has a significant effect on sustainability report disclosure.

Keywords: *Profitability; Leverage; Firm Size; Sustainability Report.*

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INTRODUCTION

The banking sector plays a vital role in supporting national economic development. Banks not only serve as financial intermediaries but also contribute to improving the standard of living through the distribution of funds and inclusive financial services. Historically, banking activities first emerged in Europe and later spread across continents including Asia, Africa, and the Americas alongside the growth of global trade.

In recent years, Indonesia's banking industry has experienced notable dynamics. Several foreign banks have decided to exit the domestic market, such as The Royal Bank of Scotland (RBS) in 2017 and the Commonwealth Bank of Australia (CBA), which sold its business unit in Indonesia. This phenomenon is largely driven by shifts in global business strategies that prompt foreign banks to refocus on their home markets. Meanwhile, domestic banks such as Bank Mandiri, BCA, and BRI continue to dominate the market due to their extensive networks and strong customer trust. Intense competition, particularly in service quality and operational efficiency, has also contributed to the withdrawal of foreign banks from the Indonesian market (Blogspot, 2024).

Beyond competitive factors, growing demands for social and environmental accountability have encouraged companies including financial institutions to adopt greater transparency through the preparation of sustainability reports. This trend reflects a paradigm shift in corporate performance assessment, from a profit-centered approach (single bottom line) toward a sustainability-oriented perspective (triple bottom line), which encompasses economic, social, and environmental dimensions (Veren Gunawan & Julianti Sjarie, 2022).

Regulatory developments have further strengthened this practice. The Financial Services Authority (OJK) issued Regulation No. 51/POJK.03/2017, which mandates financial institutions to prepare and publish sustainability reports. Likewise, Law No. 40 of 2007, Article 74 on Limited Liability Companies, reinforces the obligation of corporate social and environmental responsibility. However, many companies remain inconsistent in implementing these requirements, often perceiving sustainability reporting as an additional operational burden (Putra et al., 2023).

Sustainability reports serve as a crucial instrument for communicating a company's social and environmental performance to stakeholders, including investors and creditors. Firms with strong financial performance tend to have greater motivation to disclose sustainability information as a form of social accountability. Nevertheless, prior studies have produced mixed findings regarding the determinants of such disclosures.

Research by Afifah et al. (2022) found that profitability, proxied by ROA, has no significant effect on sustainability report disclosure, whereas Agung (2024) reported the opposite. Findings related to leverage also vary. Studies by Thomas, Aryusmar, and Indriaty (2020) as well as Gunawan Veren and Sjarief Julianti (2022) indicate a positive relationship between leverage and sustainability disclosure, while other research suggests no significant effect. A similar inconsistency appears in firm size: Aprilya Tobing et al. (2019) identified a positive influence, whereas Sinaga and Teddyani (2020) found otherwise.

These inconsistencies in previous research (empirical gap) highlight the need for further investigation to strengthen empirical evidence on the effects of profitability, leverage, and firm size on sustainability report disclosure—particularly within the banking sector.

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LITERATURE REVIEW

Substainbility Report

Siti Farhana (2019) explains that a sustainability report is an accountable report presented by a company to its stakeholders, covering its economic, social, environmental, and governance performance. Such disclosure serves as an additional signal for investors in assessing the company, as well as a form of accountability to stakeholders in line with stakeholder theory. Furthermore, Juniati Gunawan (2015) states that sustainability reporting was first introduced in Indonesia in 2003 through the establishment of the National Center for Sustainability Reporting (NCSR), which later launched the Indonesia Sustainability Reporting Award (ISRA) in 2004. This initiative has significantly contributed to the development of sustainability reporting practices in Indonesia.

Profitability

Kasmir (2019) states that the profitability ratio reflects a company's ability to generate profit; the higher the ratio, the greater the earnings produced. Arief et al. (2020) further explain that Return on Assets (ROA) measures management's efficiency in utilizing assets to generate profit, meaning that a higher ROA indicates stronger financial performance.

$$\mathrm{ROA} = \frac{\text{Net Income x 100\%}}{\text{Total Assets}} \tag{1}$$

Leverage

Rivandi and Petra (2022) explain that leverage, or the solvency ratio, reflects a company's ability to meet its financial obligations through the use of debt. This ratio indicates the extent to which a company's assets are financed by debt and illustrates the level of risk as well as the degree of confidence in the company's ability to manage external financing.

$$\mathrm{DER} = \frac{\text{Total Debt x 100\%}}{\text{Equity}} \tag{2}$$

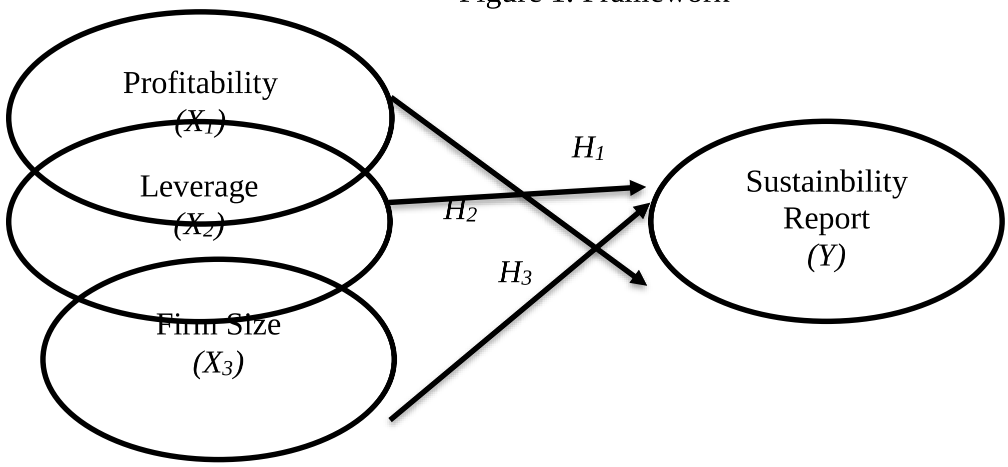
Firm Size

Firm size reflects the scale and operational capacity of an entity, measured by its total assets. The larger the firm, the greater its funding requirements and potential revenue generation. An increase in firm size indicates positive growth and may enhance firm value through a rise in total assets relative to total liabilities.

$$\text{Firm Size} = \text{Ln (Total Assets)} \tag{3}$$

Research Framework

Figure 1. Framework



Research Hypotheses

1. Profitability has a positive effect on Sustainability Report (SR) disclosure.
2. Leverage has a positive effect on Sustainability Report (SR) disclosure.
3. Firm Size has a positive effect on Sustainability Report (SR) disclosure.

METHOD

Data Collection

The data collection method was carried out through documentation study and literature review, in which the data were obtained indirectly from the research objects through various relevant sources. The data sources include scientific journals, reference books, and the official website of the Indonesia Stock Exchange (www.idx.co.id).

Research Design

In this study, the data analysis method employed panel data regression analysis with the assistance of EViews 13 software. This method was used to determine the significance level of each regression coefficient and to examine the influence of the independent variables on the dependent variable.

Research Population

Agung and Suardhika (2019) explain that a population is a generalization area consisting of objects or subjects with specific characteristics determined by the researcher to be studied and from which conclusions are drawn. In this study, the population consists of 46 banking industry companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. Meanwhile, Rahim et al. (2021) state that a sample is a subset of the population that possesses similar characteristics and is considered representative of the entire population. Sampling is conducted due to limitations in time, cost, and resources, making it necessary to employ a technique that ensures the sample accurately represents the research population.

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Data Analysis Method

The data analysis method in this study employs panel data regression analysis with the assistance of EViews 13 software to test the significance level and the relationship between the independent and dependent variables. According to Mulyani (2021), descriptive analysis is used to describe each variable individually without linking it to other variables by presenting data in the form of mean, median, mode, and measures of dispersion such as variance and standard deviation. The selection of the panel data regression model is carried out through three approaches: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). The best model is determined based on the results of the Chow test and the Hausman test. In addition, classical assumption tests are conducted to ensure the validity of the regression model, including tests for normality, heteroscedasticity, multicollinearity, and autocorrelation (Karlina et al., 2019).

RESULT AND DISCUSSION

Results

Data Quality Test Results

1. **Descriptive Analysis**

   Descriptive analysis is a statistical method used to describe the characteristics of research data without making generalizations about the population. This analysis includes measurements such as the mean, standard deviation, variance, maximum, minimum, and total data values. The results of the descriptive analysis are presented to illustrate the highest, lowest, and average values of each research variable.

Table 1. Results of Descriptive Analysis

	ROA (X1)	DER (X2)	Firm Size (X3)	Sustainability Report (Y)
Mean	1.92	5.47	19.81	0.27
Median	1.87	5.26	19.4	0.26
Maximum	4.03	16	21.33	0.54
Minimum	0.13	0.81	18.90	0.07
Std. Dev	0.90	2.86	0.85	0.12
Skewness	0.42	2.01	0.61	0.37
Kurtosis	2.62	7.95	1.67	2.14
Jarque-Bera	2.17	102.111	8.09	3.21
Probability	0.33	6.71	0.017	0.19
Sum	115.73	328.59	1189.01	16.43
Sum Sq Dev	48.76	482.95	42.79	0.86
Observations	60	60	60	60

Source: Output Eviews 13, 2025

Based on Table 1, from 60 observations during the 2019–2023 period, the variables ROA, DER, Firm Size, and Sustainability Report show normally distributed data, as indicated by standard deviation values smaller than their respective means. The average ROA of 1.92 reflects good profitability performance, while the average DER of 5.47 indicates a healthy capital structure. The average Firm Size of 19.81 suggests that most companies are large-scale entities, and the average Sustainability Report value of 0.27 indicates a fairly good level of sustainability disclosure. Overall, the data are deemed suitable for further regression analysis.

1) Selection of Panel Data Regression Model

a. Chow Test

Table 2. Results of Chow Test

Redundant Fixed Effect Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f	Prob.
Cross-section F	3.060837	(11,45)	0.0039
Cross-section Chisquare	33.515361	11	0.0004

Source: Output Eviews 13, 2025

Based on the results of the Chow Test presented in Table 2, the probability value obtained is 0.0039, which is less than 0.05 ($p < 0.05$). This indicates that the Fixed Effect Model (FEM) is more appropriate than the Common Effect Model (CEM). Therefore, H1 is accepted and H0 is rejected, suggesting that there are significant individual differences within the panel data model used in this study.

b. Hausman Test

Table 3. Results of Hausman Test

Correlated Random Effects – Hausman test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.
Cross-section random	11.351364	3	0.0100

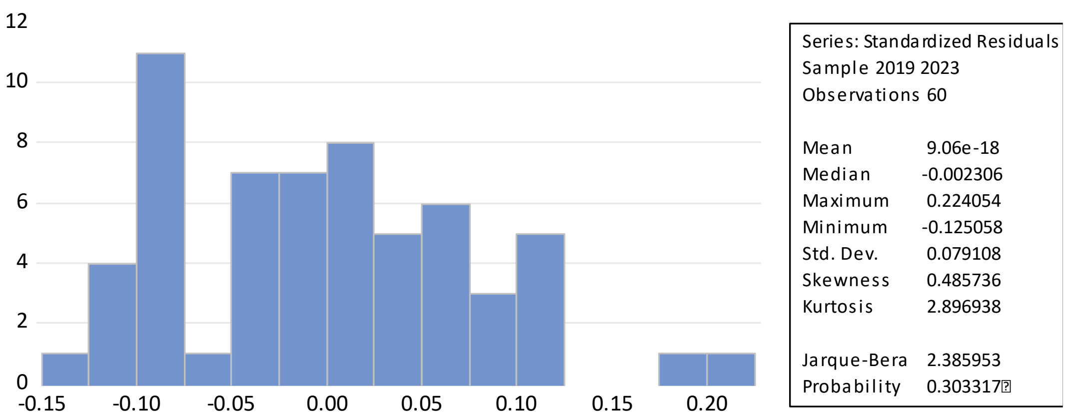
Source: Output Eviews 13, 2025

Based on Table 4.3, the results of the Hausman Test show a probability value of 0.0100, which is less than 0.05 ($p < 0.05$). Therefore, H1 is accepted and H0 is rejected, indicating that the most appropriate model to be used in this study is the Fixed Effect Model (FEM).

2) Classical Assumption Tests

a. Normality Test

Figure 2. Normality Test Results



Based on Figure 2, the Jarque–Bera statistic is 2.385953, with a probability value greater than 0.05, indicating that the data are normally distributed.

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b. Multicollinearity Test

The results presented in Table 4 indicate that the VIF values for all three independent variables are below 10, suggesting that the regression model does not have multicollinearity problems.

Table 4. Multicollinearity Test Results

Date: 06/16/25 Time: 01:03
Sample: 2019 2023
Included observations: 60

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	5.457839	39911.22	NA
ROA	0.000646	18.77788	1.193605
DER	0.000169	38.24306	1.151058
SIZE	0.014239	40890.81	1.195881

Source: Output Eviews 13, 2025

3) Hypothesis Testing

a. T - Test

Table 5. T- Test -Results

Dependent Variable: Y
Method: Panel Least Square
Date: 06/08/25 Time : 09:19
Sample: 2019 2023
Periods included: 5
Cross-section included: 12
Total panel (balanced) observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	-7.839602	2.336202	-3.355704	0.0016
ROA	0.019433	0.025423	0.764387	0.4486
DER	0.009964	0.013005	0.766208	0.4476
SIZE	0.404776	0.119326	3.392188	0.0015

Source: Output Eviews 13, 2025

Based on Table 5, the t-statistic analysis shows the following results:

- Return on Assets (ROA) has a t-value of 0.764 with a probability of 0.4486 > 0.05, so H0 is accepted and Ha is rejected, indicating that ROA has no significant effect on the Sustainability Report.
- Debt to Equity Ratio (DER) has a t-value of 0.766 with a probability of 0.4476 > 0.05, so H0 is accepted, indicating that DER has no significant effect on the Sustainability Report.
- Firm Size has a t-value of 3.392 with a probability of 0.0015 < 0.05, so Ha is accepted and H0 is rejected, indicating that Firm Size has a significant effect on the Sustainability Report.

b. Coefficient of Determination (R^2) Test

Table 6. Coefficient of Determination (R^2) Test Results

Cross-section fixed (dummy variable	
R-squared	0.574538
Adjusted R-Squared	0.442172
S.E. of regression	0.090581
Sum squared resid	0.369224
Log likehood	67.58461
F-statistic	4.340530
Prob (F-statistic)	0.000083

Source: Output Eviews 13, 2025

Based on Table 6, the R-squared value is 0.574538, or 57%. This indicates that Return on Assets (ROA), Debt to Equity Ratio (DER), and Firm Size explain 57% of the variation in sustainability report disclosure, while the remaining 43% is influenced by other variables outside the scope of this study.

Discussion

The Impact of Profitability on Sustainability Report Disclosure

The hypothesis test results indicate that profitability (ROA) has no significant effect on Sustainability Report (SR) disclosure. This implies that companies with high profits do not necessarily provide more extensive sustainability reporting, as they tend to prioritize financial gains over social and environmental disclosure. This finding is consistent with previous research by Afifah et al. (2022), which stated that ROA does not significantly influence sustainability report disclosure.

The Impact of Leverage on Sustainability Report Disclosure

The hypothesis test results indicate that leverage has no significant effect on Sustainability Report (SR) disclosure. High leverage levels encourage companies to focus more on short-term financial obligations and profit optimization, which tends to reduce social, environmental, and economic disclosures. This finding is consistent with Liana Siska (2019), who stated that high debt levels decrease a company’s preference for providing sustainability information due to financial pressure and economic constraints.

The Impact of Firm Size on Sustainability Report Disclosure

The hypothesis test results indicate that firm size has a positive and significant effect on Sustainability Report (SR) disclosure. The larger the scale of a company, the broader the scope of information presented in the sustainability report, as large-scale companies typically have more complex operational processes and sufficient capital to support Corporate Social Responsibility initiatives. This finding aligns with legitimacy theory and the study by Purnama et al. (2024), which states that large firms tend to be more active in disclosing sustainability information to meet stakeholder expectations.

CONCLUSIONS AND SUGGESTIONS

Conclucion

1. Profitability (ROA) has no significant effect on sustainability report disclosure, indicating that a company's ability to convert assets into profit is not a dominant factor in SR disclosure.
2. Leverage (Debt to Equity Ratio) also has no significant effect, suggesting that a company's capital structure is not directly related to transparency and social responsibility through sustainability reporting.
3. Firm Size has a positive and significant effect on SR disclosure. Large-scale companies tend to disclose sustainability reports more extensively due to greater capacity, public exposure, and higher stakeholder pressure.

Suggestions

1. Banking companies should continue to pay attention to sustainability aspects, even though profitability and leverage are not significant, by reporting economic, social, and environmental indicators comprehensively.
2. Large-scale banks are encouraged to develop more detailed and structured sustainability reports, including quantitative data and long-term targets, to meet public scrutiny and regulatory requirements.
3. Future research is recommended to expand the variables, such as including aspects of good corporate governance or institutional influence, and to cover a broader range of industry sectors to enhance the generalizability of the findings.

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