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Analysis of Sustainability Report Disclosure and Company Size on Financial Performance in State-Owned Enterprises (BUMN) Listed on The Indonesia Stock Exchange (IDX) For the Years 2020–2024

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Abstract: This study aims to analyze the influence of Sustainability Report (SR) disclosure and Company Size on Financial Performance in State-Owned Enterprises (BUMN) listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024. Using a quantitative approach with multiple linear regression analysis, this study examined 15 BUMN companies over five years (75 observations). The findings reveal that SR disclosure has a significant but negative effect on Net Profit Margin (NPM), with a coefficient of -73.421 ($p = 0.008$), suggesting that sustainability reporting initiatives impose short-term financial costs before generating long-term benefits. Conversely, Company Size does not have a significant effect on financial performance ($p = 0.754$). While the model demonstrates simultaneous significance (F-test, $p = 0.027$), the Adjusted R^2 value of 0.070 indicates that only 7% of variation in financial performance is explained by these two variables, highlighting the need for more comprehensive model specification. This research contributes to the sustainability accounting literature by presenting empirical evidence that challenges the assumption that sustainability disclosure automatically enhances short-term profitability, particularly in the context of state-owned enterprises facing dual mandates of profit generation and public service delivery. Future research should extend the model using panel data methods (Fixed Effects or Random Effects models), incorporate additional variables such as corporate governance indicators and financial structure measures, and examine sector-specific and long-term effects of sustainability disclosure.

Keyword: Sustainability Report, Company Size, Financial Performance, Net Profit Margin.

INTRODUCTION

Amid global developments, the goals of companies are no longer limited to the maximization of financial profits alone. Demands for social and environmental accountability have become a prerequisite for the legitimacy of company operations. The concept of sustainability emphasizes the balance between economic performance, social responsibility,

and environmental awareness. As a form of commitment to sustainability, companies are encouraged to disclose sustainability information through sustainability reports. The Global Reporting Initiative (GRI) has become the predominant framework for sustainability reporting, with over 5,000 organizations worldwide utilizing GRI standards to communicate their sustainability performance and impacts.

Companies have begun to recognize the importance of reports that are not solely centered on the "single bottom line" — focusing only on profit — but must also pay attention to responsibility toward society (people) and the environment (planet). This approach is known as the "Triple-P Bottom Line," where sustainability reports cover not only financial conditions but also social and environmental aspects (Puspasari et al., 2025).

The Financial Services Authority (OJK) through POJK No.51/POJK.03/2017 requires certain financial institutions, issuers, and public companies to submit Sustainability Reports (SR). This obligation encourages BUMN companies listed on the IDX to be more transparent in the Environmental, Social, and Governance (ESG) aspects.

State-Owned Enterprises (BUMN) play a strategic role in the national economy because they do not only aim to generate profit, but also carry out social and developmental functions. Therefore, BUMN are required to set an example in the implementation of sustainable business practices and information transparency. Sustainability report disclosure in BUMN companies is an important aspect in assessing corporate accountability to the public and the government as the primary shareholder.

The Global Reporting Initiative (GRI) states that a Sustainability Report is a report published by a company or organization. This report is a key program for communicating sustainable performance, as well as its impacts, whether positive or negative. In addition, a Sustainability Report is also a communication tool and demonstrates the company's response to climate change, social issues, and other sustainability challenges.

In addition to Sustainability Report disclosure, company characteristics are also believed to influence financial performance. One characteristic frequently used in research is Company Size. Company Size reflects the scale of a company, which can be seen from its total assets. Companies with a larger size generally have more adequate resources, broader access to funding, and better operational stability, thus potentially generating more optimal financial performance.

Company size, typically measured based on total assets or revenue, is also associated with the level of sustainability report disclosure (Ulfa et al., 2025). This indicates that companies with a larger scale have greater capacity to implement sustainability policies and prepare sustainability reports. Large companies also tend to attract more attention from the public and regulators, thus being motivated to be more transparent in sustainability disclosure. Company Size is included as an independent variable based on theoretical and empirical arguments that larger enterprises possess greater resource capacity, operational sophistication, and market influence. However, the relationship between size and financial performance is not straightforward. Larger organizations often face greater complexity, higher administrative costs, and more stringent regulatory requirements that may offset the benefits of economies of scale. In the BUMN context, larger state-owned enterprises may also face greater political pressures and social service obligations that constrain profitability.

The COVID-19 pandemic (2020–2024, the observation period of this study) tested this balancing act severely. Many BUMN entities faced simultaneous pressures: declining revenues from pandemic-related demand destruction, increased social service obligations as economic safety nets, and growing pressure to demonstrate sustainability commitments despite constrained financial resources. This context makes the 2020–2024 period particularly valuable for understanding how sustainability disclosure investments interact with financial performance under stress conditions.

Financial performance is an important indicator for assessing a company's success in managing its resources. Financial performance is usually measured using profitability ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). For BUMN companies listed on the Indonesia Stock Exchange (IDX), financial performance is a primary concern for investors, the government, and other stakeholders.

Improving a company's financial performance can be used to understand how well the company utilizes all its assets. Companies are required to maintain and improve their financial performance so that the company's shares remain attractive to investors. (Komang Nayantara Arya Dinatha & Darmawan, 2023)

BUMN financial performance has been threatened. A number of State-Owned Enterprises (BUMN) released their first-half 2020 results, with many showing declining performance due to the impact of the COVID-19 pandemic. The time period covered encompasses the COVID-19 pandemic and the post-pandemic recovery. This crisis condition may alter the priority of allocating funds for Sustainability Reports or Company Size and their impact on the financial performance of BUMN companies.

Previous research findings serve as an important foundation for this study. Research conducted by Irma et al. (2021) titled 'The Effect of Sustainability Report on Company Financial Performance' shows that sustainability report disclosure influences company financial performance. The study concludes that the higher the level of sustainability report disclosure, the better the resulting financial performance of the company.

These research findings are consistent with stakeholder theory and legitimacy theory, which state that corporate transparency in disclosing sustainability information can enhance the trust of stakeholders, thereby positively impacting the company's financial performance.

Nevertheless, the research by Surya Irma and Nanik Lestari (2021) still has limitations, particularly regarding the research object and period used. Therefore, this study is further developed by adding the variable of company size as an independent variable and using BUMN companies listed on the Indonesia Stock Exchange as the research object, with the observation period from 2020 to 2024 — covering the post-pandemic economic context — thereby contributing novelty in terms of context, scope, and research timeframe.

Most prior studies of sustainability reporting examine stable economic periods. This study provides evidence from a turbulent period (2020–2024) encompassing acute pandemic shock, recovery phases, and macroeconomic volatility. The findings therefore speak to the resilience and relevance of sustainability disclosure under stress conditions. Previous research on sustainability reporting predominantly focuses on private companies or mixed samples. BUMN companies, with their dual mandates and political-economic constraints, have received limited attention despite their strategic importance in developing economies. The theoretical literature predominantly predicts positive relationships between sustainability disclosure and financial performance, yet empirical evidence from this and other recent studies challenges this assumption. Mechanisms explaining negative or null relationships deserve greater attention. This study addresses these gaps by examining how sustainability report disclosure and company size jointly influence financial performance (measured as Net Profit Margin) in BUMN companies during an economically turbulent period.

Therefore, the researcher is interested in conducting a study with the title "Analysis of Sustainability Report Disclosure and Company Size on Financial Performance in BUMN Companies on the Indonesia Stock Exchange (IDX) for the Years 2020–2024."

METHOD

This study employs a quantitative associative approach aimed at analyzing the relationship and influence between Sustainability Report Disclosure and Company Size on Financial Performance. The independent variables in this research are Sustainability Report

Disclosure (X_1) and Company Size (X_2), while the dependent variable is Financial Performance (Y), which is proxied by Net Profit Margin (NPM).

The population of this study consists of all State-Owned Enterprises (BUMN) listed on the Indonesia Stock Exchange (IDX) during the period 2020–2024. The sampling technique used is purposive sampling, based on specific criteria: 1. Namely companies that are consistently listed during the observation period, 2. publish sustainability reports, and 3. Have complete financial data. Based on these criteria, 15 companies were selected as the sample, resulting in a total of 75 observations over five years.

This study uses secondary data obtained through documentation methods, including annual reports, sustainability reports, and financial statements published by the companies and accessed through the Indonesia Stock Exchange (IDX) and official company websites. The operational definition of variables in this study includes Financial Performance measured using Net Profit Margin (NPM), Sustainability Report Disclosure measured based on the Global Reporting Initiative (GRI) Standards, and Company Size measured using the natural logarithm of total assets (Ln Total Assets).

Data analysis is carried out using multiple linear regression analysis with the assistance of IBM SPSS Statistics. The regression model used in this study is expressed as: $NPM = \alpha + \beta_1 SR + \beta_2 SIZE + \varepsilon$. Where: 1.$\alpha$ is the intercept (constant), 2. β_1 is the slope coefficient for Sustainability Report disclosure, 3.β_2 is the slope coefficient for Company Size, 4.ε is the error term. The use of SPSS enables systematic and accurate data processing, including descriptive statistical analysis, classical assumption testing, and hypothesis testing.

To ensure the validity of the regression model, classical assumption tests are conducted, including normality testing using the Kolmogorov-Smirnov method, multicollinearity testing based on tolerance and Variance Inflation Factor (VIF) values, and heteroscedasticity testing using scatterplot analysis. Furthermore, hypothesis testing is performed using the t-test to examine the partial effect of each independent variable, the F-test to analyze the simultaneous effect of all independent variables, and the coefficient of determination (R^2) to measure the explanatory power of the model. The level of significance used in this study is 5% ($\alpha = 0.05$), where a hypothesis is accepted if the significance value is less than 0.05.

Variable Operationalization

Sustainability Report Disclosure (SR):

SR is measured using a disclosure index based on Global Reporting Initiative (GRI) Standards. Following standard practice in disclosure research, a checklist approach was employed: 1.Identification of material GRI indicators relevant to sampled companies, 2. Binary coding: 1 if indicator disclosed, 0 if not disclosed, 3.Aggregation into a disclosure index: SR = (Number of items disclosed) / (Total applicable items), 4.Index range: 0 (no disclosure) to 1 (complete disclosure).

This unweighted approach assumes equal importance of all items and provides a reproducible, objectively scoreable measure. Limitations of this approach (discussed below) are acknowledged.

Company Size (SIZE):

Company Size is measured as the natural logarithm of total assets (Ln Total Assets), following standard practice in corporate finance research. Log transformation is employed to reduce skewness in asset distributions and facilitate regression interpretation. This measure reflects the scale of company operations and available resource capacity.

Net Profit Margin (NPM):

Financial Performance is measured using Net Profit Margin, calculated as: NPM = (Net Income / Total Revenue) × 100%

NPM expresses net profit as a percentage of sales revenue and measures pure profitability after all expenses, taxes, and costs. This metric is selected because it reflects operational efficiency and effectiveness of management in converting revenues into profit. However, as discussed in limitations below, reliance on a single performance metric carries important constraints.

RESULT AND DISCUSSION

Descriptive Data Analysis

Based on the data processing results from 75 company samples used in this study, the Financial Performance variable projected through Net Profit Margin (NPM) shows a mean value of 23.6920%. This data has a relatively high standard deviation of 44.78231%, reflecting significant variation or disparity among the sample companies, with a minimum value of 0.05% and a maximum value of 312.26%.

For the independent variable Sustainability Report (SR), the average company disclosure stands at 0.43225, with a value range between 0.131 and 0.780. Meanwhile, the Company Size variable records an average value of 21.2181 with a standard deviation of 5.04792, indicating that the asset size of companies in the sample is quite varied.

Table 1. Summary of Hypothesis Testing Results

	N	Min	Max	Mean	SD
NPM	75	0,05%	312.26%	23.6920%	44.78231%
SR	75	.131	.780	.43225	.191893
COMPANY SIZE	75	12.41	32.29	21.2181	5.04792
Valid N (listwise)	75				

Source: Processed Data, 2026

Normality Test

The normality test aims to examine whether the disturbance variable or residual in the regression model follows a normal distribution, which is the primary requirement for parametric statistical analysis. Based on the One-Sample Kolmogorov-Smirnov test with Lilliefors significance correction, an Asymp. Sig. (2-tailed) value of 0.064 was obtained. Since this significance value is greater than the significance level of 0.05 (0.064 > 0.05), it can be concluded that the residual data in this regression model is normally distributed. This indicates that the model has satisfied the basic normality assumption and can proceed to the next testing stage without concerns about distributional bias.

Table 2. Normality Test

		Unstandardized Residual
N		75
Normal Parameters^(a,b)	Mean	.0000000
	Std.Deviation	1.41896588
	Absolute	.099
Most Extreme Differences		
	Positive	.074
	Negative	-.099
Test Statistic		.099
Asymp. Sig. (2-tailed)		.064

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: Processed Data, 2026

Multicollinearity Test

The multicollinearity test is conducted to ensure that there is no strong correlation or perfect linear relationship among the independent variables in the regression model. Based on the calculation results in the Coefficients table, the Sustainability Report and Company Size variables have identical Tolerance values of 0.958, which is well above the minimum standard of 0.10. Furthermore, the Variance Inflation Factor (VIF) value for both variables is recorded at 1.044, which is well below the maximum threshold of 10. Therefore, these results confirm that the regression model is free from multicollinearity issues and that the independent variables are mutually independent.

Table 3.Multicollienearitas Test

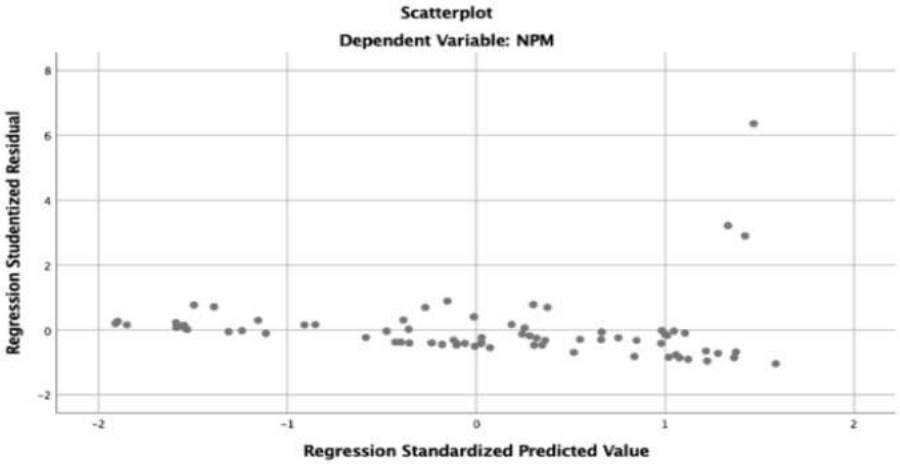
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	SR	.958	1.044
	Company Size	.958	1.044

a. Dependent Variable: NPM

Source: Processed Data, 2026

Heteroscedasticity Test

To detect the presence or absence of unequal variance in residuals from one observation to another, the heteroscedasticity test was conducted using scatterplot graphical analysis. Based on the visual display of the graph, it can be seen that the data points are spread randomly and do not form any specific geometric pattern such as waves, widening, then narrowing. The data points are also spread both above and below the value of 0 on the Y-axis (Regression Studentized Residual). This condition proves that the regression model satisfies the homoscedasticity assumption, meaning that the variance of residuals remains constant across all observations, so the model is declared valid for prediction purposes.



Source: Processed Data, 2026

Figure 1. Scatterplot SPSS

Simultaneous Significance Test (F-Test)

The F-test is used to evaluate whether the overall regression model is fit for use and whether the independent variables jointly have an effect on the dependent variable. Based on the ANOVA table, the model records an F-statistic value of 3.806 with a significance level of

0.027. Since this significance value is less than 0.05 (0.027 < 0.05), hypothesis three (H3) is accepted. This indicates that simultaneously, Sustainability Report and Company Size have a significant effect on Financial Performance (NPM), so this model is considered appropriate (fit) and has the feasibility to explain the phenomenon under study.

Table 4. Simultaneous Significance Test (F-Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14189.216	2	7094.608	3.806	.027[b]
	Residual	134214.501	72	1864.090		
	Total	148403.718	74			

a. Dependent Variable: NPM

b. Predictors: (Constant), COMPANY SIZE, SR

Source: Processed Data, 2026

Partial Significance Test (t-Test)

The t-test is conducted to examine the extent to which each independent variable individually explains the variation in the dependent variable. The test results show that the Sustainability Report (SR) variable has a significance value of 0.008 with a negative regression coefficient of -73.421 and a t-statistic of -2.747. This means that SR has a negative and significant effect on NPM, indicating that every increase in sustainability report disclosure tends to decrease profitability due to high disclosure costs. On the other hand, the Company Size variable shows a significance value of 0.754 (0.754 > 0.05) with a t-statistic of only 0.315. Therefore, Company Size is proven to have no significant effect on Financial Performance (NPM), indicating that the size of assets is not a determining factor for net profit margin in the sample companies.

Table 5.Partial Significance Test (t-Test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig
1	(Constant)	48.647	22.816		2.132	.036
	SR	-73.421	26.727	-.315	-2.747	.008
	COMPANY SIZE	.320	1.016	.036	.315	.754

a. Dependent Variable: NPM

Source: Processed Data, 2026

Coefficcient of Determination Test (R^2)

The coefficient of determination test is used to measure how far the model's ability to explain the variation in the dependent variable. Based on the Model Summary table, the R Square value obtained is 0.096; however, for a more accurate result in multiple linear regression, the Adjusted R Square value of 0.070 is used. This figure indicates that the Sustainability Report and Company Size variables are only able to contribute 7% in explaining changes in Financial Performance (NPM). Meanwhile, the remaining 93% is explained by other variables or factors outside this research model, such as liquidity ratios, leverage, macroeconomic conditions, or other internal company policies.

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

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.309[a]	.096	.070	43.17511

a. Predictors: (Constant), COMPANY SIZE, SR
b. Dependent Variable: NPM

Hypothesis Testing

Hypothesis testing is conducted to determine whether the research hypotheses that have been formulated can be accepted or rejected based on the data processing results, so as to ascertain whether there is an effect of the independent variables on the dependent variable, both partially and simultaneously. Testing was carried out using SPSS. Hypothesis testing is considered significant if the significance value (p-value) is less than 0.05. Conversely, if the significance value is greater than 0.05, the hypothesis is declared not significant.

Table 7. Hypothesis testing

Hypothesis	Variable	Test Value	Sig.	Criteria	Decision
H1	Sr→NPM	t = -2.747	0.008	Sig. <0.05	Accepted
H2	Company Size →NPM	t = 0.315	0.754	Sig. >0.05	Rejected
H3	SR, Company Size→NPM	F = 3.806	0.027	Sig. <0.05	Accepted

Source: Processed Data, 2026

Based on the data processing presented, the following conclusions can be drawn:

Effect of Sustainability Report Disclosure on NPM

Based on the t-test results, the Sustainability Report variable has a significance value of 0.008, which is less than the significance level of 0.05 (0.008 < 0.05), with a negative t-statistic of -2.747. These results indicate that H1 is accepted, meaning that the Sustainability Report has a significant but negative effect on Financial Performance (NPM).

This phenomenon indicates that every increase in sustainability report disclosure is followed by a decline in the company's net profit margin. Theoretically, this can be explained through the cost-center perspective, where social and environmental responsibility activities and the preparation of their reports require large fund allocations. For companies in this sample, the costs incurred to meet sustainability disclosure standards outweigh the direct financial benefits received in the short term. SR disclosure is viewed as an additional operational burden that erodes net profit, so the broader the disclosure made, the greater the pressure on the company's profitability. This finding is consistent with the legitimacy theory, which suggests that companies invest in SR disclosure to maintain social legitimacy, yet the associated costs may not translate into immediate profitability gains, particularly during the post-pandemic recovery period (2020–2024) when operational expenditures were already elevated. Furthermore, this negative relationship may also reflect the nature of GRI-based disclosure, where a higher disclosure index requires more comprehensive social and environmental programs that consume substantial resources. Future studies are recommended to examine whether this negative effect is moderated by sector-specific characteristics or governance quality, as companies with strong corporate governance mechanisms may be more efficient in translating SR investments into long-term financial returns.

Effect of Company Size on NPM

The results of testing the second hypothesis show a significance value for the Company Size variable of 0.754, which is considerably greater than 0.05 (0.754 > 0.05). Therefore, H2

is rejected, meaning that Company Size does not have a significant effect on Financial Performance (NPM) in the sample companies.

This indicates that the scale of assets or the magnitude of company size is not a determinant of high or low net profit margin. Companies with large assets tend to have more complex operational cost structures and bureaucracy, so they are not always more efficient in generating profit compared to smaller companies. Investors and management cannot rely solely on asset size as an indicator of financial performance, because the effectiveness in generating net profit depends more on cost management and operational strategy than on the mere physical scale of the company. This result may also reflect the unique characteristics of BUMN companies, which operate under dual mandates of profit-seeking and national development objectives. As a consequence, large BUMN entities may allocate significant resources toward public service obligations, subsidized programs, or infrastructure projects that reduce short-term profitability regardless of their asset scale. This finding is aligned with research by Puspasari et al. (2025), which highlights that BUMN financial performance is more strongly driven by governance quality and sectoral factors than by asset size alone. To gain a more nuanced understanding, future research should consider disaggregating the sample by sector (e.g., financial, energy, infrastructure) to test whether the insignificant effect of company size holds across all BUMN sub-industries.

Simultaneous Effect of Sustainability Report and Company Size on NPM

Based on the F-test results from the ANOVA table, a significance value of 0.027 is obtained, which is less than 0.05 (0.027 < 0.05). These results indicate that H3 is accepted, meaning that simultaneously or jointly, Sustainability Report and Company Size have a significant effect on Financial Performance (NPM).

Although Company Size does not have a significant effect partially, when combined with the Sustainability Report variable, both variables collectively have the ability to explain the movement of NPM. This shows that the combination of sustainability disclosure policies and company scale is a factor that still needs to be considered in evaluating overall financial performance. However, based on the Adjusted R Square value, the combined contribution of these two variables is 7%, meaning that there are still 93% of other factors outside this model that are more dominant in influencing the company's financial performance. The low explanatory power (Adjusted R^2 = 7%) suggests that the model as currently specified is limited in capturing the full complexity of financial performance determinants. This implies a strong case for extending the model with additional independent variables in future research. Potentially relevant variables include Good Corporate Governance (GCG) indicators such as board size, audit committee effectiveness, and managerial ownership, as well as financial structure variables including leverage (Debt-to-Equity Ratio) and liquidity (Current Ratio). Macroeconomic factors such as GDP growth rate and inflation may also serve as important control variables, particularly given the turbulent economic conditions during the 2020–2024 period that encompassed the COVID-19 pandemic and its recovery phase. Moreover, this study relies solely on Net Profit Margin (NPM) as the proxy for financial performance. While NPM is a valid profitability measure, it may not fully capture all dimensions of financial performance. Future studies are encouraged to incorporate a broader set of financial performance indicators, such as Return on Assets (ROA), Return on Equity (ROE), and Earnings Per Share (EPS), to provide a more comprehensive assessment of how sustainability disclosure and company characteristics influence corporate financial outcomes. The use of multiple performance proxies would also allow for cross-validation of findings and enhance the robustness of conclusions.

Based on the results of multiple linear regression analysis, the following relationship model is obtained:

$$\mathbf{NPM = 48.647 - 73.421(SR) + 0.320(COMPANY\ SIZE) + \varepsilon}$$

a. Regression Coefficient X1 (-73.421): The Sustainability Report variable has an inverse (negative) relationship with Financial Performance. This means that every one-unit increase in SR disclosure will decrease the NPM value by 73.421 units, assuming other variables remain constant.
b. Regression Coefficient X2 (0.320): The Company Size variable has a direct (positive) relationship with Financial Performance. That is, every one-unit increase in Company Size will increase the NPM value by 0.320 units, although this effect is statistically proven not significant.
c. Model Fit Assessment: This relationship model is declared valid and can be used to predict the relationship between variables because it meets the following criteria:
   - Simultaneous Significance: This model has an F-test significance value of 0.027, meaning the model is statistically fit or appropriate (Sig. < 0.05).
   - Predictive Ability: The SR and Company Size variables together are able to explain 7% of the variation in financial Performance (NPM) based on the Adjusted R Square Value.

Future Research Directions

The limitations identified in this study provide several important directions for future research aimed at enhancing the understanding of the relationship between Sustainability Report (SR) disclosure and financial performance in State-Owned Enterprises (BUMN). First, future studies should prioritize re-estimating the research model using appropriate panel data techniques, such as the Fixed Effects Model (FEM) or Random Effects Model (REM), instead of relying solely on Ordinary Least Squares (OLS). The analysis should incorporate a formal Hausman test to determine the most suitable model specification, apply cluster-robust standard errors at the company level, and compare OLS, FEM, and REM estimates to evaluate the robustness of the results. Employing these methods is expected to produce more reliable parameter estimates by adequately controlling for unobserved firm-specific heterogeneity.

Furthermore, future research should expand the model specification by incorporating corporate governance variables that have been identified in the literature as important determinants of financial performance. Variables such as board independence, board size, audit committee effectiveness, institutional ownership, managerial ownership, and government ownership concentration should be considered. In addition, future studies may examine the moderating role of corporate governance quality in the relationship between Sustainability Report disclosure and financial performance. Such an approach would provide deeper insights into whether strong governance mechanisms strengthen or weaken the financial effects of sustainability disclosure and may substantially improve the explanatory power of the model.

Another promising direction involves incorporating financial structure variables into the analysis. Measures such as Debt-to-Equity Ratio (DER), Debt-to-Assets Ratio (DAR), Current Ratio, Quick Ratio, and Asset Turnover Ratio should be included as control variables. Differences in capital structure, liquidity, and operational efficiency among BUMN companies may significantly influence profitability, and the omission of these factors may lead to biased estimates of the effects of Sustainability Report disclosure and Company Size.

Including these variables is expected to improve model specification and increase its explanatory capability.

Future studies should also broaden the measurement of financial performance beyond Net Profit Margin (NPM). Since financial performance is a multidimensional concept, researchers are encouraged to employ additional indicators such as Return on Assets (ROA), Return on Equity (ROE), Earnings Per Share (EPS), and Operating Profit Margin (OPM). Comparative analyses across multiple financial performance measures would provide a more comprehensive assessment of corporate performance. Moreover, researchers may consider using Structural Equation Modeling (SEM) to treat financial performance as a latent construct represented by multiple financial indicators. This approach would enable a more comprehensive examination of whether the effects of Sustainability Report disclosure remain consistent across different dimensions of financial performance.

The observation period should also be extended to better capture the long-term effects of sustainability initiatives. Future research may expand the study period from 2020–2024 to 2015–2024 or longer, thereby including pre-pandemic, pandemic, and post-pandemic economic conditions. A longer observation window would allow researchers to capture delayed benefits associated with sustainability investments that may not become apparent within a shorter timeframe. In addition, dynamic panel data techniques incorporating lagged Sustainability Report and financial performance variables could be employed to estimate both immediate and long-term effects. Methods such as the Arellano-Bond Generalized Method of Moments (GMM) estimator would be particularly useful in addressing endogeneity issues and examining dynamic relationships over time.

Sector-specific analysis represents another valuable avenue for future research. Rather than treating all BUMN companies as a homogeneous group, future studies should investigate whether the relationship between Sustainability Report disclosure and financial performance varies across sectors such as banking, energy, infrastructure, telecommunications, and other industries. Differences in regulatory intensity, capital requirements, environmental exposure, and market characteristics may influence the effectiveness of sustainability initiatives and their impact on profitability. Such analyses could generate sector-specific recommendations regarding optimal sustainability investment strategies and disclosure practices.

Finally, future research would benefit from incorporating qualitative or mixed-methods approaches to complement quantitative findings. Case studies involving selected BUMN companies could provide detailed insights into how sustainability initiatives are implemented, managed, and perceived within organizations. In-depth interviews with sustainability officers, chief financial officers, audit committee members, and other stakeholders could reveal the mechanisms through which sustainability investments affect profitability. Furthermore, stakeholder perception surveys and content analyses of Sustainability Reports could be used to assess the credibility, quality, and effectiveness of sustainability disclosures. By combining quantitative and qualitative approaches, future studies can develop a more comprehensive understanding of the costs, benefits, and timelines associated with sustainability investments and their implications for corporate financial performance.

CONCLUSION

This study examined the effects of Sustainability Report disclosure and Company Size on Financial Performance, measured by Net Profit Margin (NPM), among 15 State-Owned Enterprises (BUMN) listed on the Indonesia Stock Exchange during the period 2020–2024. The study contributes to the sustainability literature by providing empirical evidence from a unique context, namely BUMN entities operating during the post-pandemic recovery period.

Furthermore, the findings challenge the conventional assumption that sustainability disclosure automatically enhances short-term financial performance.

The results of the multiple regression analysis indicate that Sustainability Report disclosure has a statistically significant negative effect on financial performance. The estimated coefficient of Sustainability Report disclosure is negative and significant ($\beta = -73.421$; $p = 0.008$), suggesting that companies with higher levels of sustainability disclosure tend to experience lower short-term profitability. This finding remains statistically robust after satisfying the classical assumption tests, including normality, multicollinearity, and heteroscedasticity tests. The magnitude of the coefficient implies that increased sustainability disclosure is associated with a substantial decline in Net Profit Margin during the observation period. In contrast, Company Size, measured by the natural logarithm of total assets, does not significantly affect financial performance ($\beta = 0.320$; $p = 0.754$). Although the coefficient is positive and aligns with theoretical expectations regarding economies of scale and market power, the effect is statistically insignificant. This finding suggests that the potential advantages associated with larger firm size may be offset by factors commonly faced by BUMN companies, such as regulatory constraints, social service obligations, bureaucratic inefficiencies, and political in-tervention.

The simultaneous testing results demonstrate that Sustainability Report disclosure and Company Size jointly influence financial performance, as indicated by a significant F-statistic ($F = 3.806$; $p = 0.027$). However, the explanatory power of the model remains very limited. The Adjusted R^2 value of 0.070 indicates that only 7% of the variation in Net Profit Margin can be explained by the independent variables included in the model, while the remaining 93% is influenced by other factors not incorporated into the analysis. This finding highlights the presence of omitted variables and suggests that financial performance is influenced by a broader set of determinants than those examined in the present study.

From a theoretical perspective, the negative relationship between Sustainability Report disclosure and financial performance can be interpreted through the lens of temporal dynamics in sustainability value creation. Sustainability initiatives require substantial investments in reporting systems, environmental and social programs, regulatory compliance, and external verification processes. These expenditures generate immediate costs that reduce short-term profitability. At the same time, many of the anticipated benefits of sustainability practices, such as improved operational efficiency, enhanced corporate reputation, stronger stakeholder relationships, and reduced regulatory risk, tend to materialize over a much longer period. Consequently, the five-year observation period may be insufficient to capture the long-term economic benefits associated with sustainability investments. This interpretation is consistent with Firm Value Theory, which argues that value-creating investments may reduce short-term earnings while generating sustainable value in the future.

The findings should also be interpreted within the specific context of Indonesian State-Owned Enterprises. Unlike private corporations, BUMN entities operate under dual mandates that require them to pursue profitability while simultaneously fulfilling public service and national development objectives. These dual responsibilities often result in lower profit margins, limited pricing flexibility, greater stakeholder complexity, and additional resource allocation toward social obligations. Furthermore, the observation period includes the COVID-19 pan-demic and subsequent recovery phase, during which many BUMN companies faced financial pressures and resource constraints. Therefore, the negative relationship between Sustainability Report disclosure and financial performance may be amplified by these contextual factors and may not necessarily apply to private-sector firms or different economic periods.

Despite its contributions, this study has several important limitations that should be acknowledged. First, the use of Ordinary Least Squares (OLS) regression on panel data may

produce less reliable estimates compared to panel data methods such as Fixed Effects or Random Effects Models. Second, the low explanatory power of the model indicates that many important determinants of financial performance remain unaccounted for. Third, financial per-formance is measured solely using Net Profit Margin, which does not fully capture the multi-dimensional nature of corporate performance. Fourth, the operationalization of Sustainability Report disclosure lacks detailed specification regarding the disclosure index construction, lim-iting replicability. Fifth, the five-year observation period may not be sufficient to observe the long-term benefits of sustainability investments. Finally, the study does not incorporate im-portant control variables such as corporate governance characteristics, financial structure indi-cators, and macroeconomic conditions, all of which may influence financial performance.

Nevertheless, the findings offer several practical implications for managers and policymakers. The results suggest that BUMN companies should not expect immediate profitability improvements from sustainability investments and disclosure activities. Instead, sustainability initiatives should be viewed as long-term strategic investments aimed at enhancing stakeholder trust, reducing risk, improving operational efficiency, and strengthening organiza-tional legitimacy. Management should therefore adopt a long-term perspective when evaluat-ing the success of sustainability programs and integrate sustainability objectives with broader organizational goals. Furthermore, the insignificant effect of Company Size indicates that or-ganizational effectiveness, governance quality, and operational efficiency may play a more important role in determining financial performance than firm size alone. Consequently, ef-forts to improve governance structures and managerial effectiveness should accompany sus-tainability initiatives.

This study contributes to the sustainability accounting literature by providing empiri-cal evidence from the underexplored context of Indonesian State-Owned Enterprises. The findings demonstrate that sustainability disclosure may impose measurable short-term costs that outweigh immediate financial benefits, thereby challenging the assumption that sustainability reporting universally improves profitability. In addition, the study highlights the importance of considering temporal dynamics when evaluating the economic consequences of sustainability initiatives. The findings also reveal substantial gaps in existing research and underscore the need for more comprehensive analytical models capable of capturing the complexity of sustainability-performance relationships.

Future research should address the limitations identified in this study by employing more appropriate panel data methodologies, incorporating additional explanatory variables related to corporate governance and financial structure, utilizing multiple measures of financial performance, and extending the observation period to capture long-term effects. Researchers are also encouraged to conduct sector-specific analyses, comparative studies across ASEAN countries, and mixed-methods investigations combining quantitative and qualitative approaches. Such efforts will provide a deeper and more comprehensive understanding of how sustainability reporting influences financial performance in state-owned enterprises.

In conclusion, this study demonstrates that the relationship between sustainability disclosure and financial performance is considerably more complex than often assumed. While sustainability reporting may generate short-term financial burdens, its broader economic bene-fits may only become apparent over longer periods. Therefore, BUMN managers and policy-makers should adopt a long-term perspective when evaluating sustainability investments and avoid relying solely on short-term profitability indicators as measures of success.

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