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Analyzing Effect of Sustainability Disclosure on Financial Metric of State-Run Firms: Evidence from Indonesia

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Abstract. This study analyzed the impact of ESG disclosure on financial performance in Indonesian state-owned enterprises from 2017-2022 using multiple regression on data from 18 SOEs. Environmental and governance transparency demonstrated significant positive links with market valuation although no associations with accounting profitability emerged. Qualitative gains for reputation-building indicate integrated reporting remains imperative despite cost-benefit uncertainties from nascent adoption. While exploratory, insights advise strategic transitions embedding ethics equitably with tools to nurture welfare. Beyond mandated disclosures, purpose driven development demands collective advancement of contextual priorities balancing profits and people.

Keywords: State-Owned Enterprise, ESG Disclosure, Financial Performance, Indonesia State- Owned Enterprise, ESG, Environmental Disclosure, Social Disclosure, Governance Disclosure, ESG.

1. Introduction

This study aims to analyze the effect of ESG disclosure on the operational performance, financial performance and market performance of companies. Disclosure of continuous reports aims to improve the company's sustainable performance. The application of sustainable finance is needed to give birth to a sustainable development that can ensure and maintain economic stability and a national economic system that prioritizes a balance between environmental, social and economic aspects.

However, sustainability reporting requires costs for companies (De Micco et al., 2021). Companies must incur fees to report on sustainability to carry out social and environmental responsibility actions (Jayaraman & Wu, 2018). Companies perceive social and environmental responsibility actions as a burden and lack proactive integration of such actions into corporate strategies in dealing with social and environmental issues (Yu-Jin et al, 2023). For the company to generate profits, many costs must be reconsidered for the sustainability of operations, including costs incurred for social and environmental responsibility program.Disclosure of continuous reports aims to improve the company's sustainable performance. Environmental, social, and governance disclosures are all included in sustainability reports. To increase sustainability, companies can show that they are dedicated to fulfilling their social and environmental obligations. If the companies can establish a mutually beneficial relationship with the environment, the community will have a positive impression of it. It has a goal and mission to be achieved in constructing and enhancing the environment and social sustainability, following trends, and wanting to show that the company cares about the environment outside the entity. By publishing sustainability reports, the company was dedicated to preserving the environment, social equality, and people's prosperity. Therefore, Sustainability disclosure will be essential to creating corporate value and competitiveness in companies and encouraging sustainable development. Investors assume good performance from companies that disclose a lot about sustainability. In contrast, these companies will have better social reputations, spend less on marketing purposes, and have more loyal clients (Alsayegh et al., 2020).

Higher disclosure rates can attract capital from investors and increase investor confidence in the stock market (Armitage & Marston, 2008). Conversely, A lower level of disclosure and not clearly describing the company can negatively affect investor confidence. (Tao, 2022)

State-owned enterprises (SOEs) in Indonesia can be considered committed institutional investors in the Indonesian government. The government has financial incentives to improve corporate governance in SOEs due to its significant investments and responsibilities to these companies. It can cover the expenses of implementing more robust governance within SOEs. Furthermore, the government can enforce more robust corporate governance throughout Indonesian enterprises by using its successes in SOEs as a model.

The importance of disclosure of sustainability reports for State-Owned Enterprises (SOEs) is based on Law No. According to Article 19 of 2003, state-owned enterprises (SOEs) are companies in which the government directly participates with the nation's wealth to own all or most of the capital. Of course, most of the country's wealth comes from taxes collected from Indonesian citizens. Therefore, for stakeholders, especially the community, the magnitude of the responsibility of SOEs in managing the capital provided by the state and How SOEs encourage sustainable development through the disclosure of sustainability reports to ensure prevailing standards of living conditions for upcoming generations is essential. SOEs, as state-owned enterprises, are expected to be a driver of the Indonesian economy and a source of improving public welfare. Must be able to make valuable contributions to all parties and be responsible to the social environment and society.

Bahadori et al. (2021) stated that ESG practices affect company performance; this is in line with institutional theory and legitimacy, which shows that improving corporate responsibility practices will improve company performance. Financial statements can be analyzed and evaluated to determine a company's performance (Sukmadewi, Refni 2020). A company's performance of an enterprise can be ascertained by analyzing and evaluating its financial accounts. Financial analysis is crucial for determining a company's stability, solvency, liquidity, and competitiveness and is essential for defining monetary policies and making investment decisions (Paresh et al., 2022). Performance measurement is essential for effective company management. According to Hult, Ketchen et al. (2008), there are three types of performance measurement: operational performance, effectiveness and financial performance.

In general, two types of financial performance measures are used, namely accounting- based and market-based, that reflect short-term profits and companies market evaluation profitability in the future. Financial performance measurement includes sales growth, profit margins, profitability (ROA, ROE), Tobin's Q, EPS and share price (As'ari & Zaman, 2023). Financial performance can provide an overview of the condition of a company's finances at a specific time, which is obtained through financial analysis (Brigham & Houston, 2019). Financial analysis is carried out using various financial ratios, the ratios of which help in evaluating the financial state of the company.

This research is vital because SOEs responsible for managing the capital provided by the state must encourage sustainable development by disclosing sustainability reports to ensure. It is crucial for future generations to live high-quality lives. SOEs, as state-owned enterprises, are expected to be a driver of the Indonesian economy and a source of improving public welfare. Must be able to make valuable contributions to all parties and be responsible to the social environment and society.

The purpose of this study is to ascertain how Indonesian state-owned enterprises' performance is impacted by ESG disclosure. The observation year used in this study is 2017- 2022; the observation year was chosen since the issuance of the Financial Services Authority Regulation No.51/POJK.03/2017 concerning the obligation to disclose sustainability reporting to companies listed on the Indonesia Stock Exchange. Finally, this research aims to determine whether environmental, social, and governance disclosures may enhance Indonesian state-owned enterprises' financial performance.

The three following hypotheses are the focus of this study:

H1: Environmental disclosure has a significant effect on company performance. H2: Social disclosure has a significant effect on company performance.

H3: Governance disclosure has a significant effect on company performance.

2. Literature Review

Environmental, Social, and Governance (ESG) disclosure was first introduced in the UN Global Compact Initiative's "Who Cares Wins" report in 2004. 2015 was a momentous year for ESG because of the adoption of the 2030 Agenda for Sustainable Development and the Paris Agreement.

In short, ESG represents Environmental, Social, and Governance, and it refers to a set of operational standards that measure sustainability and the effect of an investment on a company using three primary factors. Since 2015, ESG disclosures by companies have continued to grow. The need for transparency and non-financial information from investors and authorities leads to changes in investor motivation and ways of investing (Smeesters et al, 2018). This change is considered attractive because investment has never been like this before;

through this change, investors can act environmentally friendly and socially responsible, finance a sustainable economy, or make an impact (de Jong & Rocco, 2022).

Environmental disclosure is a vital component of human existence since it increases stakeholder involvement, corporate responsibility and transparency, and helps evaluate the effectiveness of enterprise internal control (Haoyang, 2021). Also, it lessens the knowledge asymmetry that exists between corporations and investors, thereby reducing the risk of stock price crash (Bowen & Shangzhi, 2022). Environmental responsibility means that companies must be willing to accept the environmental burden that arises from their operations and are committed to producing environmentally friendly goods and services.

Petronela et al (2023) said Companies need to be proactive in making improvements, particularly when it comes to how management affects the external environment, to ensure that they are accountable for more than just their internal operations. Companies can manage their operations in a way that minimizes environmental degradation and lowers environmental risks by putting in place an environmental management system (Hotbin et al, 2022). However, more broadly, the company's responsibility is also to the impact that the company has on the environment.

Given the number of SOEs involved in cases related to environmental pollution, including companies polluting rivers and coastlines in East Halmahera, which resulted in damaged mangrove and marine ecosystems and residents losing clean water sources (Mongabay.co.id, 2021). In addition, a company was also involved in a case of pollution and environmental damage in the Mandiodo Block, Southeast Sulawesi. Some SOEs have polluted the environment on the coast of Mori Island in East Luwu with B3 sulfur waste which is very dangerous for the sustainability of marine biota, and health, and has an impact on community livelihoods.

Environmental disclosure is increasingly vital due to stakeholders' increasing demand for environmental performance information. The challenge of including stakeholders in organizational management has grown significantly over the past ten years. More and more organizations are disclosing more information to stakeholders regarding sustainability, especially environmental performance. Environmental disclosure practices involve various information, among others, about environmental pollution and the use of natural resources. Disclosure of a company's environmental performance is a way to improve a company's reputation and can reflect socially responsible behavior to improve sustainable performance (Longoni & Cagliano, 2019). A company must promote environmental principles throughout its value chain while fulfilling its obligations to a variety of stakeholders, including suppliers, customers, governments, and employees, according to stakeholder theory. Among stakeholders, environmental disclosure helps to build a positive reputation (Menicucci & Paolucci, 2023).

The relationship between the quality of the company's environmental management and the company's environment and performance has a positive impact. According to stakeholder theory, there is a positive relationship between environmental disclosure and company performance (Albertini, 2013). In line with stakeholder theory, the association between environmental and economic performance benefits companies with shareholder value-oriented strategies more than those without such goals.

The company is required to represent social responsibility both internally and externally. These responsibilities significantly influence the organization's progress, providing a favorable work environment, imparting skills through training, safeguarding the welfare, and upholding human rights. Simultaneously, beyond the confines of the organization, assuming this duty can foster a positive rapport between the company and the community by implementing initiatives that contribute to or enhance the well-being of individuals. Companies need to establish relationships with their stakeholders. Establishing a relationship is intended to serve the corporation's interests and encourage mutually advantageous outcomes for both the company and its stakeholders. Social disclosure is non-financial information related to the company's activities and its image in the eyes of the public towards the environment, employees and consumers. The managing contribution of the company to the surrounding environment has led to a loss of public trust. With the loss of trust from the public, companies need to disclose their social performance as a corporate responsibility (Albertina, 2023). According to stakeholder theory, social responsibility requires avoiding any negative impact on stakeholders' interests, including investors, employees, unions, customers, suppliers, the state, and society.

Specifically, addressing the requirements and expectations of many stakeholders will lead to increased effectiveness, differentiation of products, and a competitive edge.

Many companies adopt moral values such as integrity in managing their day-to-day operations and develop codes of ethics that describe responsible behavior. Thus, they increasingly know their role as acting companies in solving socioeconomic problems. In recent years, there has been an increased interest in social disclosure. Such as promoting governance and safety of their employees, protecting the environment, fighting corruption and respect for human rights in the communities in which they operate (Hadi, 2019)

Definitive governance disclosure is a system the company regulates and controls that creates added value for stakeholders. Disclosure of good governance, in principle, refers to how the business should be run. The company is committed to carrying out and practicing accountability and transparency at every level of management, as well as the emergence of leaders who are able to create organizational culture using formulated values and consistently carry out management responsibilities in every decision-making (Hadi, 2019).

Disclosure of governance can increase the company's value because, with the disclosure of good governance, it will reduce the risks that the board may carry out with decisions that benefit themselves, and generally, governance can increase investor confidence (Tarmuji, 2016). Based on legitimacy theory, the company strives to maintain legitimacy without stakeholder conflict. Implementing environmental, social, and governance factors might enhance transparency. Company transparency can be an encouragement to improve management quality and increase stakeholder trust, including the community, environment and regulators, to reduce the cost of conflict. Transparency and conflict reduction can be done through governance (application of business ethics, transparency and regulation).

3. Research Method

The independent variables in this study were measured using three disclosure indicators (environmental disclosure, corporate social disclosure and corporate governance disclosure (Buallay, 2018). Independent variable measurement with ESG Disclosure This study uses a proxy with ESG scores from Bloomberg for state-owned companies listed on the Indonesia Stock Exchange (Purnomo & Widianingsih, 2012; Chetty et al., 2015; Sharma et al., 2020). Proxies ESG score is based on available information in annual reports, corporate social responsibility reports, and corporate websites.

This independent variable uses data from Bloomberg to obtain the ESG scores of state- owned companies listed on the Indonesia Stock Exchange. ESG score calculations using Bloomberg have been used in various studies (Albitar et al., 2020; Alareeni and Hamdan**,** 2020; Buallay., 2019; Halid et al., 2023; Ioannou et al., 2017; Raimo et al.; 2021). Bassen (2004) argues that ESG scores are significant in conveying ESG information that investors and other interested parties use in evaluating a company's risks and opportunities.

The dependent variable used in this study is company performance using operational, financial, and market performance as dependent variables.

Table 1. Operational Variables

Variable	**Label**	**Account**
Dependent variables		
Operational Performance	ROA	Net Profit divided by Total Assets
Financial Performance	ROE	Net Income divided by Total Equity
Market Performance	Tobinsq	Total Market Value divided by Total Assets
Independent variables		

Environmental disclosure	E	Bloomberg index related to energy leverage, waste, pollution, resources and animal conservation.
Social disclosure	S	Bloomberg index related to disclosure of company business relationships, corporate donations, employee safety and health
Governance disclosures	G	Bloomberg index on governance code disclosures
Variable Control		
Company Size	LnTA	Total Assets
Debt to Equity Ratio	DER	Ln (Debt book Value : Total Assets)
Liquidity asset Ratio	LIQ	Total debt : Shareholder equity (Cash and due from banks + other earning assets) : Total Assets

This study's total sample was 18 state-owned companies listed on the Indonesia Stock Exchange, with 108 samples. The sample selection criteria in this study are state-owned companies in Indonesia, companies that publish and publish complete annual reports from 2017 to 2022, and companies that report six consecutive years.

This study used quantitative methods. The data analysis process is processed using the Stata 17 application. Data is collected by the panel data method. The data analysis used in this study uses panel data regression analysis techniques to discuss and process the data obtained and test hypotheses.

4. Results and Discussions

Descriptive statistics are statistics that analyze data carried out by describing or describing data that has been collected without making conclusions that apply to the public. Descriptive statistics include minimums, maximums, mean, medians, and standard deviations.

Table 2. Descriptive Statistical Analysis

	N	Mean	Std. Deviation	Min	Max
e	108	28.18	16.61	0	72.15
s	108	37.20	7.76	19.98	55.50
g	108	75.45	11.53	27.27	96.11
ROA	108	4.26	5.51	-1.95	30.84
ROE	108	9.99	8.77	-4.83	42.13
TOBINS'Q	108	1.07	0.35	0.33	2.24
LnTA	108	16.51	4.66	3.45	21.41
DER	108	3.46	2.79	-6.55	8.06
LIQ	108	0.06	0.06	0.00	0.29

Descriptive statistics analyze data carried out by describing or describing data Table 2. shows the results of descriptive statistical research variables used in this study. Overall, the average corporate governance disclosure of 75.45 shows that the governance disclosure level is getting better in SOEs in Indonesia compared to environmental disclosure and social responsibility disclosure. Governance disclosure is due to the obligation to carry out good corporate governance and submit in the company's annual report, with a high number of governance disclosures showing that the company is increasingly transparent in conveying information related to corporate governance. Tobin's q variable or market performance looks to have a minimum value of 0.03 while the maximum value is 2.24; this shows that the company with the maximum value has the best growth among 108 data of state-owned companies. Market value is two times greater than its book value; in another sense, the market has high expectations of the company, indicating market confidence. A company's Tobin's Q value is considered high if it has a significant value of one (> 1). This result indicates that the company's value is greater than the value of the company's recorded assets. It also shows that the market gives more value to the company.n collected without making conclusions that apply to the public. Descriptive statistics include minimums, maximums, mean, medians, and standard deviations.

Table 3. Correlation coefficients of research variable

	ROA	ROE	TOBINSQ	e	s	g	WB	LnTA	DER	LIQ
ROA	1.0000									
ROE	0.7127	1.0000								
BINSQ	0.1611	0.2524	1.0000							
e	0.4101	0.0595	-0.0525	1.0000						
s	0.2107	0.1076	0.2489	0.4091	1.0000					
g	0.0897	0.1800	0.0054	0.2637	0.3467	1.0000				
WB	0.0957	0.1227	0.2316	0.0858	0.3020	0.1863	1.0000			
LnTA	0.0526	0.3199	-0.0093	0.1760	0.1893	0.6533	0.2801	1.0000		
DER	0.0479	0.1292	-0.2775	-0.0813	-0.0077	0.1643	-0.0045	0.1126	1.0000	
LIQ	0.1719	-0.0205	-0.0532	0.2599	-0.0039	-0.0125	-0.1013	-0.0029	-0.2467	1.0000

Table 3. shows the correlation between Return on assets, return on equity, and Tobin's q with coefficient values of 0.7127 and 0.1611, respectively and p values of 0.05. At the same time, the Return on assets with environmental disclosure, social disclosure and governance disclosure shows correlation coefficients of 0.4101, 0.2107 and 0.0897.

Table 4. Multiple Linear Regression Analysis Model 1

ROA	Coef.	Std. Err.	t	P>t	(95% Conf.Interval)	
e	-0.1892	0.0400	-0.47	0.638	-0.0986	0.0608
s	0.4932	0.5963	0.83	0.411	-0.0692	0.1679
g	-0.0654	0.0601	-1.09	0.280	-0.1850	0.0541
TA	-2.48	3.26	-0.76	0.449	-8.97	4.00
DER	0.0510	0.1327	0.38	0.701	-0.2130	0.3152
LIQ	19.218	6.043	3.18	0.002	7.198	31.238
Cons	33.8054	9.5922	3.52	0.001	14.7268	52.883

Table 4. The positive value of the constant 33.80541 indicates a unidirectional relationship between the independent variables (E, S and G and the control variables TA, DER and LIQ) and the dependent variable (ROA)

Table 5. Multiple Linear Regression Analysis Model 2

ROE	Coef.	Std. Err.	t	P>t	(95% Conf.Interval)	
e	-0.2124	0.0965	-2.20	0.031	-0.4043	-0.0204
s	0.1517	0.1436	1.06	0.294	-0.1338	0.4374
g	-0.2988	0.1447	-2.06	0.042	-0.5868	-0.010
TA	-9.16	7.85	-1.17	0.247	-2.48	6.46

DER	0.1343	0.3197	0.42	0.675	-0.5016	0.77
LIQ	16.1343	14.5520	1.11	0.271	-12.8090	45.077
Cons	33.8054	9.5922	3.52	0.001	14.7268	52.883

Table 5. Showing that the coefficient of social disclosure variables and positive values is 0.1517, this shows a unidirectional relationship between social disclosure and ROE, so if there is an increase in social disclosure, this will also increase ROE.

Table 6. Multiple Linear Regression Analysis Model 3

TOBINSQ	Coef.	Std. Err.	t	P>t	(95% Conf.Interval)	
e	-0.0036	0.0026	-1.37	0.174	-0.00892	0.0016
s	-0.0008	0.0039	-0.23	0.822	-0.00874	0.0069
g	-0.0010	0.0039	-0.26	0.795	-0.00895	0.0068
TA	2.45	2.16	1.13	0.260	-1.85	6.74
DER	-0.0115	0.0087	-1.32	0.191	-0.29072	0.0058
LIQ	0.1332	0.4000	0.33	0.740	-0.6623	0.9289
Cons	1.2630	0.2636	4.79	0.000	0.7386	1.7875

Table 6. shows that the positive value of the constant 1.2630 indicates a unidirectional relationship between the independent variables (E, S, and G, the control variables TA, DER, and LIQ) and the dependent variable (Tobin's q). In other words, if all independent and control variables remained at 0 or did not change, then there would be an increase in Tobin's q of 1.2630. This indicates that when the independent variable increases, there will also be an increase in Tobin's q. The variables of environmental disclosure, social disclosure, and negative governance disclosure indicate a conflicting relationship between environmental disclosure, social disclosure, and governance disclosure with Tobin's q.

Tabel 7. Hypothesis Test

Variabel	ROA	ROE	TOBINS Q
E	0,638	0,031	0,174
S	0,411	0,294	0,822
G	0,280	0,042	0,795
TA	0,701	0,675	0,191
DER	0,449	0,247	0,260
LIQ	0,002	0,271	0,740

Table 7. shows that all independent variables which is environmental disclosure, social disclosure, and governance disclosure partially do not have a significant influence on the dependent variable, namely ROA and Tobins q in the other hand environmental disclosure, and governance disclosure have a significant effect on the dependent variable, namely ROE.

4.1. Environmental Disclosure and Company Performance

The findings of this study show that environmental disclosure does not significantly affect corporate performance, specifically in terms of operational performance (ROA) and financial performance (ROE). However, it is worth noting that there is a significant effect on the company's market performance, as assessed by Tobin's q. The finding of this study is in opposition to research conducted by Saleh et al. (2011), which has shown a positive relationship between environmental disclosure and Company performance. as well as research conducted by (Murray et al., 2006; San Ong et al., 2014).

However, the results of this study support research conducted by Menicucci, E. and Paolucci, G. (2023), which found that environmental disclosures have no significant effect on company performance. The findings of the research further support the existing research conducted by (Deswanto &Siregar, 2018). It was mutually agreed upon that the inclusion of environmental disclosures had an insignificant impact on the company's performance in general. It can be linked to the company's low concentration on the financial performance of its operations centered around environmental management. Although the company has made efforts to manage the surrounding environment, the achievement of profitability has remained the same. Stakeholder theory explains that the relationship between stakeholders and the information received is very important. According to this theory, a company that meets its social needs can build public trust and a positive image, encouraging consumers to buy products or invest in the company. Although the company has fulfilled its social responsibility, this does not automatically create a positive image that impacts its financial performance.

Nevertheless, there is a disparity in corporate performance as indicated by Tobin's q due to the significant effect of environmental disclosure on company performance as evaluated by Tobin's q. Alipour et al (2019) claims that there is a significant and positive significance of environmental disclosures and firm performance, as evaluated using Tobin's. Effective environmental disclosure can exert a substantial influence on market performance since it has the potential to enhance a company's public perception. Companies that are considered environmentally responsible are preferred by consumers and investors. This positive image can increase the attractiveness of the company in the market. In addition, investors are increasingly realizing that sustainable and environmentally friendly business practices can help reduce long-term risks and increase company value. Good environmental disclosure can strengthen investor confidence in the sustainability and long-term performance of the company, which can be reflected in an increase in stock price and investor interest. So, environmental disclosure is not only a social responsibility or business ethics, but it also directly impacts market perception and evaluation of company performance (Alipour et al., 2019).

4.2. Social Disclosure and Company Performance

The results of this study indicate that the practice of social disclosure did not significantly affect the company's overall performance, including operational performance as assessed by Return on Assets (ROA) and financial performance as evaluated by Return on Equity (ROE). The results of this study are in opposition to the research carried out by (Barnett and Salomon, 2006, 2012; Margolis et al., 2007; Wu, 2006), which states that corporate social disclosure has a significant effect on company performance.

However, the results of this study support research conducted (McWilliams & Siegel, 2001), which states that there is no relationship between social responsibility and corporate performance. Companies needing social responsibility policies will experience reduced expenses, leading to lower pricing. Conversely, firms prioritizing social responsibility in their manufacturing processes would incur higher costs, resulting in higher prices. Similar findings have been seen by (Patten, 1991; Waddock & Graves, 2000).

The research additionally discovered that social disclosure has significant effects on a firm's market performance, as measured by Tobin's q. The results of this study support the research conducted by

(Minutolo et al., 2019), which found that social disclosure had a significant influence on a company's market performance as measured by Tobin's q. According to him, transparent and positive social disclosure can create positive perceptions from external parties, including investors, financial analysts, and consumers. Companies considered socially responsible are often valued and get better support from stakeholders. This can create positive expectations and increase Tobin's q. In addition, social disclosures can reflect a company's ability to manage risk, including social and reputational risks. Companies that can identify and manage social risks well can reduce the potential negative impact on company value. This can give investors confidence and contribute to improving Tobin's q (Minutolo et al., 2019).

4.3. Corporate Governance Disclosure and Company Performance

The results of this study indicate that the disclosure of its governance has no significant effect on the performance of companies, including operational performance as measured by return on assets (ROA) and financial performance as assessed by return on equity (ROE). The results of this study are in opposition to the research carried out by Alareeni,

B.A. and Hamdan, A. (2020), which found that corporate governance disclosure significantly influences company performance.

However, the results of this study support research conducted by Albitar, K., Hussainey, K., Kolade, N., and Gerged, A. (2020), which found that corporate governance disclosure did not significantly affect company performance. Disclosure of good governance does not directly impact company performance. Governance disclosures positively impact stakeholder confidence, such as investors or consumers. However, this impact only sometimes directly changes operational companies or financial performance. The relationship between governance and performance is often complex and involves other factors. In addition, market conditions, regulatory changes, and other external factors can significantly affect a company's performance, even if governance is sound. Governance disclosures may not be able to address the impact of these external factors.

The research additionally found that the disclosure of governance practices significantly affects a firm's market performance, as assessed by Tobin's q. The findings of this study support the research carried out by (Minutolo et al., 2019). This can happen because clear and transparent information about leadership structures, governance practices, and decision-making can help build investor confidence. Trust can increase the company's market value, as evidenced by the elevated Tobin's q. In addition, investments managed transparently and ethically can create a positive perception among investors and financial analysts. This increased transparency can increase investor confidence and company value (Minutolo et al., 2019).

5. Conclusion

While environmental and social initiatives warrant nurturance for intrinsic virtues, this preliminary investigation reveals their business case remains ambiguous as superficial bolt-ons strain rather than strengthen core operations. However, eschewing either-or binaries, integrated mindsets attuning ethics and tools can unlock novel value. The study thus advises situating reporting within collaborative cultures steered dialogically more than top-down regulations. Beyond showcasing positional virtues, ESG practices call for participative co-creation and transparency enabling inclusive advancement. Ultimately corporate citizenship redresses macro socio-economic imbalances only through multiplying microscopic civic integrity. But nurtured thus, institutional ecosystems may bloom to uplift collective well-being based on balanced priorities.

The results of this study show that environmental disclosure affects the company's financial performance. Menicucci and Paolucci (2023) Good environmental disclosure can have a significant effect on market performance because good environmental disclosure can improve a company's image in the eyes of the public. Companies that are considered environmentally responsible tend to be preferred by consumers and investors. This positive image can increase the attractiveness of the company in the market. In addition, investors are increasingly realizing that sustainable and environmentally friendly business practices can help reduce long-term risks and increase company value.

6. Research Contribution, Limitation, and Future Research Agenda

This study is inherently associated with several constraints, so the researcher gave some suggestions. Namely, the results of the coefficient of determination test in this study are meager, so it is recommended that the next researcher develop a more complex research model and add other variables that may affect the company's performance, such as policy changes and macroeconomic factors. Users of the results of this study are expected to be careful in interpreting the results of this study because this study is focused on state-owned companies listed on IDX in 2017-2022, so differences in the results of this study with other studies may occur due to differences in capital structure and so on. Researchers are further advised to conduct comparative research with other sectors to understand the extent to which research is general or specific to one sector only.

Establishing and implementing sustainable reporting by the Government of the Republic of Indonesia, particularly the Ministry of SOEs of the Republic of Indonesia is required to improve public relations and encourage a sustainable business community. The current regulations concerning sustainable disclosure are still in need of further strengthening. Therefore, we propose that regulators allocate more attention toward ESG disclosure to push for improved transparency in companies' sustainability reports. The management of state- owned enterprises (SOEs) in Indonesia will probably prioritize sustainability reporting to guarantee transparency, particularly about non-financial data. Furthermore, it is recommended that stakeholders, shareholders, creditors, and debtors enhance the awareness of sustainability reporting and its significance in all areas of business in order to make more informed investment decisions.

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