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Sustainability Activities Disclosure and The Financial Performance: Study of Sharia Compliance Company in Indonesia

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ABSTRACT
The increasing issues of natural damage remind people of the importance of managing limited natural resources so that companies can use them efficiently, especially in meeting their operating needs. This study was conducted on this phenomenon to determine how sustainability reports affect the company's performance. The population used in this study was 244 Sharia Securities companies during 2018-2022. This study got 27 research samples using a purposive sampling method. This research conducted multiple linear regression analysis methods. Results showed that only the environmental dimension of sustainability disclosure positively affects significantly on company performance. The findings suggest a positive correlation between comprehensive sustainability disclosures and improved financial performance, highlighting the potential for Islamic economic principles to support sustainable development goals. Then this study contributes to the growing body of literature on Islamic finance and corporate responsibility, offering practical implications for policymakers, investors, and Sharia-compliant firms aiming to enhance transparency, accountability, and long-term value creation in a islamic-based economic framework.

Keywords: sustainability disclosure , company performance, sharia securities.

INTRODUCTION

Financial performance can be as an indicator to measure the success of the company. Financial performance help companies evaluate their weaknesses, strengths, and financial decision-making.[1] The financial position and performance achieved by the company in a certain period are reflected in the financial statements, which are very useful for several parties, such as creditors, investors, and company owners, in making decisions. The information in the financial statements can be used to measure the company's success and help the company forecast its financial position in the next period. One measure of

[1] Nurul Aisyiah, Darminto, and Achmad Husaini, "Pengukuran Kinerja Keuangan Perusahaan Menggunakan Rasio Keuangan dan Metode Eva (Economic Value Added) (Studi Pada PT. Kalbe Farma Tbk Terdaftar di Bursa Efek Indonesia Periode 2009-2011)," Jurnal Administrasi Bisni 2, no. 1 (May 1, 2013): 108–1018.

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financial performance that can determine how far the company can generate profits is the profitability ratio. Profitability is the net result of various policies and decisions where this ratio measures the level of management effectiveness as indicated by the profit generated from sales and investment income.[2]

Nowadays, financial conditions solely are not enough to ensure sustainable corporate value. Social and environmental developments have increasingly influenced the expectations and demands of stakeholders toward companies.[3] Some phenomena that occurred, such as the Lapindo Brantas case, which was the source of the mud flood in the Sidoarjo, Indonesia area in 2006, to the protests regarding the rejection of the construction of coal-fired power plants that occurred during the annual general meeting of PT Adaro, which took place on May 11, 2023. The phenomenon of increasing issues of natural damage reminds people of the importance of managing limited natural resources, so that companies are required to use them efficiently, especially in meeting their operating needs.[4]

Building on Elkington's (1988) Triple Bottom Line framework—People, Planet, and Profit. This framework is widely adopted by organizations worldwide, embodies the principle of sustainability. Companies disclose activities that support the sustainability of the earth in Sustainability Reporting.[5] A sustainability report outlines the economic, environmental, and social effects resulting from a company's operations. As stakeholder expectations grow, such reports have evolved from optional disclosures into essential tools for demonstrating corporate responsibility.[6] The Global Reporting Initiative (GRI) standard is among the most widely adopted frameworks for sustainability reporting. As an independent international organization, GRI sets guidelines that help organizations report on their environmental, social, and economic performance. The reporting standards in this sustainability report will help businesses and organizations communicate the impacts caused by the company's business processes. According to GRI, the disclosure of sustainability reports consists of three dimensions: economic, social, and environmental.

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[2] Surya Sanjaya and Muhammad Fajri Rizky, "Analisis Profitabilitas Dalam Menilai Kinerja Keuangan Pada PT. Taspen (Persero) Medan," *E-Journal UIN* 2, no. 2 (2018): 277–293.

[3] Annisa Hayatun, N Burhan, and Wiwin Rahmanti, *THE IMPACT OF SUSTAINABILITY REPORTING ON COMPANY PERFORMANCE*, *Journal of Economics*, vol. 15, 2012, www.industryweek.com.

[4] Wibowo & Faradiza, Sekar Imam, "Dampak Pengungkapan Sustainability Report Terhadap Kinerja Keuangan Dan Pasar Perusahaan," *Prosiding dan Buku Panduan Simposium Akuntansi XVII* (2014): 47–74.

[5] Anies S Basalamah and Johnny Jermias, "SOCIAL AND ENVIRONMENTAL REPORTING AND AUDITING IN INDONESIA Maintaining Organizational Legitimacy?," *Gadjah Mada International Journal of Business* 7, no. 1 (2005): 109–127.

[6] Anis Chariri Firman and Aji Nugroho, "RETORIKA DALAM PELAPORAN CORPORATE SOCIAL RESPONSIBILITY: ANALISIS SEMIOTIK ATAS SUSTAINABILITY REPORTING PT ANEKA TAMBANG Tbk," *Simposium Nasional Akuntansi XII Palembang* (November 3, 2009): 4–6.

Research conducted by Alhassan found that comprehensive disclosure of the economic, environmental, and social aspects in sustainability reports significantly influences a company's financial performance, particularly in terms of Net Profit Margin (NPM) and Earnings Per Share (EPS).[7] Meanwhile, research conducted by Rohmah[8] shows that the disclosure of sustainability reports in the economic and social dimensions significantly affects EPS, while the environmental dimension has no effect on EPS.[9] Meanwhile, the concept of sustainability is developing not only in companies with conventional economic systems but also in companies that qualify as companies with sharia stocks. The relationship between economic, social , environmental principles and Islamic finance is deeply interconnected, as both frameworks emphasize ethical responsibility, sustainability, and social well-being.[10] Islamic finance operates on fundamental principles such as the prohibition of interest (riba), excessive uncertainty (gharar), and unethical investments, which align closely with sustainability reporting goals of promoting responsible business practices. In Indonesia, the list of Islamic stocks is published regularly twice a year by the Otoritas Jasa Keuangan (OJK). Based on the Islamic stock statistics published by OJK in the 2018-2022 period, there was an increase in the number of Islamic stocks listed by 43%. Therefore, the research objective is to test and analyze the effect of sustainability report disclosure on financial performance regarding company profitability in stocks listed as sharia securities from 2018 to 2022.

This study provides benefits to the development of sustainability and profitability studies, especially in companies listed as Sharia stocks and strengthens empirical evidence on the application of stakeholder theory, legitimacy theory, and resource-based theory. In addition, this study provides input for decision-makers in the company that the consistency of sustainability disclosure is important in order to increase profitability. Investors will also respond to companies that disclose sustainability activities, so companies should report sustainability activities to increase company value.

LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory states that companies not only operate for their own benefit but must also provide added value to the parties interested in them, such

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[7] Ismail Alhassan, K.M. Anwarul Islam, and Haque Shariful, "SUSTAINABILITY REPORTING AND FINANCIAL PERFORMANCE OF LISTED INDUSTRIAL GOODS SECTOR IN NIGERIA," *International Journal of Accounting & Finance Review* 9, no. 1 (December 31, 2021): 46–56.

[8] Khaula Lutfiati Rohmah, Andre Kussuma Adiputra, and Watik Kurniawati, "PENGARUH PENGUNGKAPAN SUSTAINABILITY REPORT TERHADAP KINERJA KEUANGAN PERUSAHAAN THE EFFETCS OF SUSTAINABILITY REPORT DISCLOSURE TOWARD COPANY FINANCIAL PERFORMANCE," *Seminar Nasional UNRIYO* (2019): 147–159.

[9] Ibid.

[10] Fitranty Adirestuty et al., "Sustainable Finance in the Islamic World: A Comparative Study of ESG Reporting in Indonesia, Malaysia, and Brunei Darussalam," al-Uqud: Journal of Islamic Economics 09, no. 01 (2025): 18–32, accessed March 14, 2025, https://doi.org/10.26740/al-uqud.v9n1.p18-32.

as shareholders, creditors, suppliers, consumers, governments, communities, analysts, and other entities. Responding to stakeholder expectations involves similar considerations as sustainability efforts, including both costs and strategic benefits. When stakeholders are effectively engaged and satisfied, they can enhance an organization's appeal to both investors and customers, offering a competitive advantage over time.[11] Developments in stakeholder theory began with a change in the approach companies use in carrying out business activities, namely from the old corporate relations approach to new corporate relations. With this change in approach, the orientation and goals of the company are not only limited to how to accumulate company assets but also focus on achieving sustainable development.[12]

Legitimacy Theory

According to legitimacy theory, companies aim to align their operations with societal norms and expectations to gain acceptance and approval from outsiders.[13] Companies operate in a changing external environment and must strive to ensure that their behaviour meets the boundaries and norms of the society in which they operate. The strategic legitimacy aspect explains the company's desire and motivation to gain social support, where the company expends resources and tries to exercise control to gain social recognition.[14]

Resource Based Theory

Resource-based theory is a theory that explains that company performance will be optimal if the company has a competitive advantage so that it can generate value for the company. Competitive advantage is obtained by utilizing and managing its resources properly. In the resources owned by the company, resource-based theory believes that the company is a collection of capabilities in managing these resources.[15] Resources encompass the tangible and intangible elements under a company's control, such as assets, employee expertise, technological capabilities, and organizational knowledge. These resources play a key role in executing strategic initiatives aimed at enhancing operational efficiency and effectiveness. Resources-based theory proposes that

[11] Hamzeh Al Amosh, Saleh F.A. Khatib, and Husam Ananzeh, "Environmental, Social and Governance Impact on Financial Performance: Evidence from the Levant Countries," *Corporate Governance (Bingley)* 23, no. 3 (April 10, 2023): 493–513.

[12] Yuliani Lesmana and Josua Tarigan, "Pengaruh Sustainability Reporting Terhadap Kinerja Keuangan Perusahaan Publik Dari Sisi Asset Management Ratios," *Business Accounting Review* 2, no. 1 (2014): 101–110.

[13] Craig (Craig Michael) Deegan, *Financial Accounting Theory*, ed. Annabel Adair, 4th edition. (North Ryde: McGraw-Hill Education, 2014).

[14] Fahmida Akhter et al., "Environmental Disclosures and Corporate Attributes, from the Lens of Legitimacy Theory: A Longitudinal Analysis on a Developing Country," *European Journal of Management and Business Economics* 32, no. 3 (July 11, 2023): 342–369.

[15] Edith Penrose, *The Theory of the Growth of the Firm.* (New York: John Wiley, 1959).

companies can perform better if they disclose more information about their financial and non-financial resources.[16]

Sharia Compliance

A key legal foundation of the Islamic financial system is the regulatory framework ensuring adherence to sharia principles. Sharia compliance is essential for guiding both operational practices and managerial decision-making within Islamic financial institutions. The foundation based on sharia principles in accordance with Islamic law forms the basis for product issuance, the creation of sharia contracts, trade transaction contracts, and other asset allocation activities.[17] In Indonesia, Financial Services Authority (OJK) acts as a regulator that oversees and ensures sharia compliance in the Islamic financial industry. Financial Services Authority Regulation number 35 /POJK.04/2017 contains the main criteria used to determine a security as a sharia security, including: sharia compliant companies must avoid involvement in non-permissible sectors like gambling and conventional financial services. Additionally, compliance standards often require that a company's interest-bearing debt not exceed 45% of its total assets.[18]

METHODS

A quantitative explanatory method is used in this study to examine the causal relationships among variables and to validate the proposed hypotheses. The population of this study is companies listed as Sharia Securities for the period 2018-2022, with a sample of 27 companies. In sampling, researchers used the purposive sampling method by considering certain things by the criteria set as follows:

a. Companies listed on the Sharia Securities List (Daftar Efek Syariah) during 2018-2022
b. Companies that have never been delisted from the Sharia Securities List (Daftar Efek Syariah) during 2018-2022
c. Companies that publish financial reports and sustainability reports during 2018-2022

[16] Mui Kuen Yuen et al., "The Environment, Social and Governance (ESG) Activities and Profitability under COVID-19: Evidence from the Global Banking Sector," *Journal of Economics and Development* 24, no. 4 (November 24, 2022): 345–364.

[17] Siti Nuraeni et al., *EFFECT OF SHARIA COMPLIANCE ON SUSTAINABILITY REPORT DISCLOSURE ON JAKARTA ISLAMIC INDEX*, 2024.

[18] Otoritas Jasa Keuangan, "POJK Nomor 35/POJK.04/2017 ," last modified 2017, accessed September 16, 2023, https://ojk.go.id/id/kanal/pasar-modal/regulasi/peraturan-ojk/Pages/Peraturan-Otoritas-Jasa-Keuangan-Nomor-35-POJK.04-2017-.aspx.

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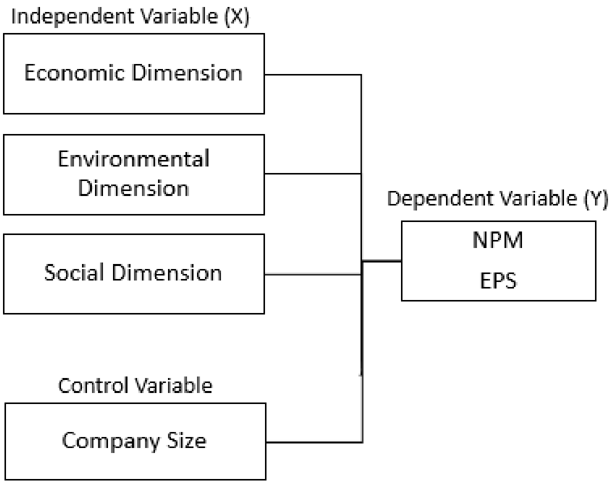
Figure 1. **Research conceptual framework**



Hypothesis:

- H_1 : Disclosure of economic dimension significant positively affects financial performance proxied by NPM.
- H_2 : Disclosure of economic dimension significant positively affects financial performance proxied by EPS.
- H_3 : Disclosure of environmental dimension significant positively affects financial performance proxied by NPM.
- H_4 : Disclosure of environmental dimension significant positively affects financial performance proxied by EPS.
- H_5 : Disclosure of social dimension significant positively affects financial performance proxied by NPM.
- H_6 : Disclosure of social dimension significant positively affects financial performance proxied by EPS.

This study identifies the sustainability report as the independent variable, comprising three principal dimensions of disclosure: economic, environmental, and social, each of which is measured by a value (score). According to Wijayanti[19], disclosure index can be formulated as follows:

$$DI = \frac{n}{k}$$

Description:
DI: Disclosure Index
n : Number of items disclosed by the company
k : Number of items expected to be disclosed by the company

[19] Rita Wijayanti, "PENGARUH PENGUNGKAPAN SUSTAINABILITY REPORT TERHADAP KINERJA KEUANGAN PERUSAHAAN," *Syariah Paper Accounting FEB UMS* (2016): 39–51.

The dependent variable used in this study is the company's financial performance proxied by profitability. Profitability in this study uses Net Profit Margin (NPM). NPM describes a company's profit level from sales or revenue earned. The purpose and function of NPM is to evaluate the company's ability to generate net profit from the total sales/revenue earned in the financial period. According to Winarno[20], NPM can be formulated as follows:

$$\text{NPM} = \frac{\text{net profit after sales}}{\text{sales}}$$

Earning per share (EPS) is a financial ratio that measures all net income from each number of shares circulated. One way to analyze the rate of return on shares is by looking at the company's ability to generate profits per share, called Earning per Share (EPS). The development of a company's high EPS will indicate that the company can overcome all problems and can manage the allocation of funds effectively and efficiently to achieve company goals. According to Hamdan[21], EPS can be formulated as follows:

$$\text{EPS} = \frac{\text{net pforit}}{\text{number of outstanding shares}}$$

EPS measures the profit a company makes per share of outstanding stock. This provides shareholders with a direct view of how well the company generates profit for them. NPM allows for a fair comparison between companies of different scales and industries. Since they are susceptible to short-term corporate actions, NPM and EPS are good comparative ratios for measuring a company’s performance on an annual basis because researchers use time-series data.

Control variables are variables that cannot be manipulated and are used as a way to control, neutralize, or minimize the influence of other aspects because not all variables can be examined at the same time both from the point of view of the researcher's ability and cost, as well as the time available. To overcome this, researchers use control variables, namely company size. Differences in firm size can influence profitability because larger companies tend to be more performing and more innovative than smaller companies.[22] To address the wide variation in

[20] Slamet Heri Winarno, *Penilaian Kinerja Keuangan Perusahaan Melalui Analisis Profitabilitas*, vol. IV (Jakarta, October 2017), accessed November 12, 2023, https://repository.bsi.ac.id/repo/files/284989/download/2017--JURNAL-MONETER-VOL-4-NO-2-OKTOBER-2017.pdf.

[21] Hamdan Zyadat Ali Abdelfattah, “The Impact of Sustainability on the Financial Performance of Jordanian Islamic Banks,” *International Journal of Economics and Finance* 9, no. 1 (December 13, 2016): 55.

[22] Salim Chouaibi, Jamel Chouaibi, and Matteo Rossi, “ESG and Corporate Financial Performance: The Mediating Role of Green Innovation: UK Common Law versus Germany Civil Law,” *EuroMed Journal of Business* 17, no. 1 (February 17, 2022): 46–71.

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firm sizes, total assets are transformed using the natural logarithm. This logarithmic transformation not only minimizes the scale differences between large and small firms but also assists in achieving a more normal distribution of the data.[23]

$$\text{Size} = \ln(\text{Total Asset})$$

Multiple linear regression analysis is utilized in this study to assess the effect of sustainability report disclosures on NPM and EPS in terms of economic, social, and environmental dimensions. The multiple regression equation for hypothesis testing in this study is:

$$NPM = a + b_1 X_1 + b_2 X_2 + b_2\ X_3 + b_4 X_4 + e \text{.................}(1)$$
$$EPS\ \ = a + b_1 X_1 + b_2 X_2 + b_2\ X_3 + b_4 X_4 + e \text{.................}(2)$$

Description:

NPM = Net Profit Margin
EPS = Earning per Share
a = constant
$b_1 b_2 b_3 b_4$ = regression coefficients
X_1 = economic dimension disclosure
X_2 = environmental dimensions disclosure
X_3 = social dimension disclosure
X_4 = company size
e = error

RESULT

Overview of Research Objects

The objects in this study are companies listed in the Sharia Securities List for five consecutive years from 2018-2022 and have published annual financial reports along with sustainability reports. This study got 27 companies, which all companies use the GRI guidelines to disclose the sustainability activities. The analysis used content analysis by summing up the disclosure scores according to the index set by GRI. Table 1 contains research sample.

[23] Abdelhakim Ben Ali and Jamel Chouaibi, "Mediating Effect of ESG Performance on Executive Incentive Compensation-Financial Performance Relationship: Evidence from MENA Banking Sector," *Corporate Governance (Bingley)* (2023).

Table 1. **Research sample**

No.	Company Name	Code
1.	AKR Corporindo Tbk.	AKRA
2.	Elnusa Tbk.	ELSA
3.	PT Indo Tambangraya Megah Tbk.	ITMG
4.	PT Mitrabahtera Segara Sejati Tbk.	MBSS
5.	PT Bukit Asam Tbk.	PTBA
6.	PT Petrosea Tbk.	PTRO
7.	PT Aneka Tambang Tbk.	ANTM
8.	Vale Indonesia Tbk.	INCO
9.	Indocement Tunggal Prakasa Tbk.	INTP
10.	PT Chandra Asri Petrochemical TBK.	TPIA
11.	PT Wijaya Karya Beton Tbk.	WTON
12.	United Tractors Tbk.	UNTR
13.	PT Astra Agro Lestari Tbk.	AALI
14.	Austindo Nusantara Jaya Tbk.	ANJT
15.	Japfa Comfeed Indonesia Tbk.	JPFA
16.	PT PP London Sumatera Indonesia Tbk.	LSIP
17.	PT Unilever Indonesia Tbk.	UNVR
18.	PT Astra Otoparts Tbk.	AUTO
19.	PT Kalbe Farma Tbk.	KLBF
20.	PT Industri Jamu dan Farmasi Sido Muncul Tbk.	SIDO
21.	PT Bank Syariah Indonesia Tbk.	BRIS
22.	PT. XL Axiata Tbk.	EXCL
23.	PT. Pembangunan Perumahan Tbk.	PTPP
24.	PT Total Bangun Persada Tbk.	TOTL
25.	PT Wijaya Karya Bangunan Tbk.	WEGE
26.	PT Wijaya Karya Tbk.	WIKA
27.	PT Samudera Indonesia Tbk.	SMDR

Source: processed by researchers

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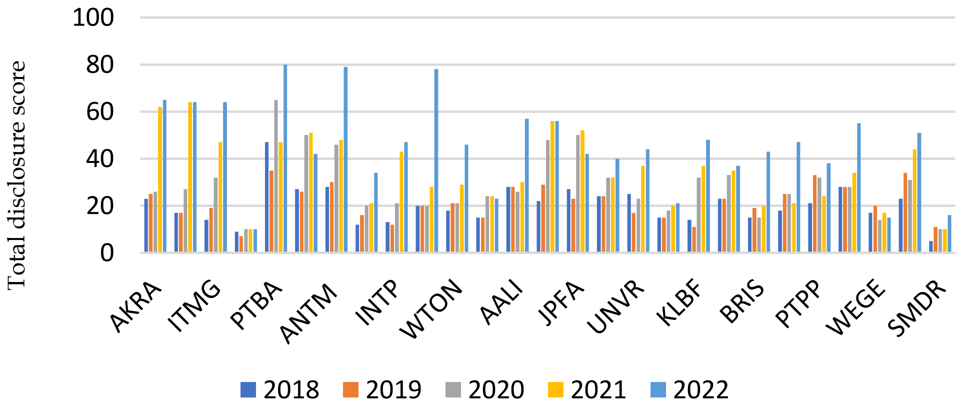
Figure 2 shows the total score of sustainability report disclosures published by the company. Researchers conducted an analysis using the GRI Standard 2021 content index, which contains specific topics divided into 3, namely the economic, environmental and social dimensions, with a total of 84 disclosure points. The graph above shows that *PT Bukit Asam* Tbk (PTBA) has the highest disclosure score, and *PT* Mitrabahtera Segara Sejati Tbk (MBSS) is the company with the lowest disclosure score. Overall, the number of disclosure scores has increased relatively from year to year. This shows that the company's awareness of the details of its disclosure in its operations, as outlined in their sustainability report, is increasing from year to year.

Figure 2. **Analysis results of sustainability report disclosure**



Source: Figure is developed by authors

Multiple Linear Regression Analysis Results

To evaluate the proposed hypotheses, this study utilizes multiple linear regression analysis. The data used in the regression analysis have met the data normality assumptions and are free from classical assumption disorders including multicollinearity, autocorrelation, and heteroscedasticity. Table 2 contains the results of multiple linear regression tests.

Table 2. **Multiple linear regression test results**

Model	Variables	Significance	Regression Coefficient	Adjusted R^2	Decision
1	Economic dimension (X_1)	0,015	-0,273	0,108	Negatively affects Y
	Environmental dimension (X_2)	0,002	0,342		Positive effect on Y
	Social dimension (X_3)	0,937	-0,004		No effect on Y
	Company size (X_4)	0,736	0,037		No effect on Y
2	Economic dimension (X_1)	0,381	-0,160	0,693	No effect on Y
	Environmental dimension (X_2)	0,003	0,515		Positive effect on Y
	Social dimension (X_3)	0,038	-0,316		Negatively affects Y

Company size (X_4)	0,083	-0,298	No effect on Y

Source: Table is developed by authors

Table 2 shows that there are differences in the test results between model 1 and model 2. Model 1 produces sustainability disclosure of the economic and environmental dimensions at a significance level below α 5%, so it can be concluded that the economic and environmental dimensions significantly influence variable Y, namely financial performance proxied by NPM. In model 2, it can be seen that the disclosure of environmental and social dimensions of sustainability has a significance level below α 5%, so it can be concluded that the environmental and social dimensions significantly influence variable Y, namely financial performance proxied by EPS.

Meanwhile, variable X_4, namely company size, which is the control variable in this study, does not affect either regression model. Table 2 informs us that in both models 1 and 2, the significance values of X_4 are both above the 5% α significance level. Therefore, it can be concluded that company size as a control variable in this study has no influence. This is in accordance with research conducted by Alodat[24] and Pawar[25].

DISCUSSION

Effect of Economic Dimension Disclosure on NPM

Based on regression of model one, it is known that the economic dimension has a significance level of 0.024. This shows that the economic dimension of sustainability disclosure significantly affects the company's financial performance proxied by net profit margin (NPM). In contrast, the regression coefficient results show a result of -0.273. In this study, the economic dimension significantly negatively affects NPM; thus, H_1 is rejected. These findings contrast with those of Alhassan[26], who reported a significant positive effect of the economic dimension on Net Profit Margin (NPM). This sustainability activity costs money, so it can reduce the company's revenue, which results in a decrease in the company's NPM value. Another factor that may cause this negative result is the low disclosure made by the company. The results of descriptive statistics show that the average disclosure of the economic dimension made by companies is 5.27%. Low disclosures may not represent a complete picture of the company's sustainability efforts.

Effect of Economic Dimension Disclosure on EPS

Based on the t-test results of the second regression model, it is known that the economic dimension has a significance level of 0.381. This shows that the

[24] Ahmad Yuosef Alodat et al., "Sustainability Disclosure and Firms' Performance in a Voluntary Environment," *Measuring Business Excellence* (2023).

[25] Deepthi S. Pawar and Jothi Munuswamy, "Does Environmental Reporting of Banks Affect Their Financial Performance? Evidence from India," *International Journal of Bank Marketing* (2023).

[26] Alhassan, Islam, and Haque Shariful, "SUSTAINABILITY REPORTING AND FINANCIAL PERFORMANCE OF LISTED INDUSTRIAL GOODS SECTOR IN NIGERIA."

disclosure of the economic dimension of sustainability has no significant effect on the company's financial performance proxied by earning per share (EPS). Thus, H_2 is rejected. This is supported by the results of descriptive statistics on economic variables with an average value of 5.27%, which means that the disclosure of the economic dimension made by the company is low enough to be able to explain the relationship between the disclosure of economic dimension with EPS. This study is not in accordance with the results of research conducted by Hamdan[27], where in the study the economic dimension has a significant effect on EPS. The results of this study indicate that if the company increases the economic dimension disclosure score, it will not influence the company's EPS value. The regression results of model 2 have an R-value of 0.693, which means that 69% of changes in EPS can be explained by the intensity variable of sustainability report disclosure, while other variables outside the regression model influence the remaining 31% of the EPS variable. Various internal and external factors can affect the earning per share (EPS) value, and the economic practices listed in the sustainability report may only be one of the factors that affect the EPS value. This shows that a good EPS value in the current conditions in Indonesia can still be achieved by companies even though they place the sustainability report aspect as the second or third priority.

Effect of Disclosure of Environmental Dimensions on NPM

Based on the t-test results of regression model one, it is known that the environmental dimension has a significance level of 0.002 and a regression coefficient of 0.342. This shows that the environmental dimension sustainability report significantly positively affects the company's financial performance proxied by net profit margin (NPM). Thus, H_3 is accepted. This supports the stakeholder theory proposed by Freeman (1984), which states that companies must consider the interests of various parties involved or affected by their activities. It is anticipated that companies will respond to the expectations and interests of multiple stakeholders affected by their business activities, including society and the environment. With the disclosures outlined in the sustainability report, companies can demonstrate their commitment to sustainable business practices and environmental responsibility to their stakeholders. The findings of this study is in accordance with those reported by Alhassan[28], where the environmental dimension has a significant positive effect on NPM. This research is also in accordance with research conducted by Shakil[29], where environmental disclosure had a significant positive effect on the company's financial performance in that study.

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[27] Hamdan Zyadat Ali Abdelfattah, "The Impact of Sustainability on the Financial Performance of Jordanian Islamic Banks."

[28] Alhassan, Islam, and Haque Shariful, "SUSTAINABILITY REPORTING AND FINANCIAL PERFORMANCE OF LISTED INDUSTRIAL GOODS SECTOR IN NIGERIA."

[29] Mohammad Hassan Shakil et al., "Do Environmental, Social and Governance Performance Affect the Financial Performance of Banks? A Cross-Country Study of Emerging Market Banks," *Management of Environmental Quality: An International Journal* 30, no. 6 (September 2, 2019): 1331–1344.

Research shows that companies that focus on a strong environmental dimension tend to have better financial performance, which is reflected in an increase in NPM. This encourages the understanding that good environmental practices not only benefit the ecosystem but also provide economic benefits for the company, so it is expected that more companies will include the environmental dimension in their sustainability strategy and describe it clearly in the sustainability report.

Effect of Environmental Dimension Disclosure on EPS

Based on the t-test results of the second regression model, it is known that the environmental dimension has a significance level of 0.003 and a regression coefficient of 0.515. This shows that the environmental dimension of sustainability disclosure has a significant positive effect on the company's financial performance proxied by earning per share (EPS). Thus, H_4 is accepted. This study is in line with the results of research conducted by Hamdan[30] and Alhassan[31], wherein the environmental dimension has a significant positive effect on EPS in these studies. The results of this study also support the legitimacy theory put forward by Dowling & Pfeffer (1975) according to, companies strive to operate within the prevailing societal norms and frameworks, particularly in a context increasingly aware of environmental issues, in order to gain legitimacy and acceptance from external stakeholders. The environmental dimension of sustainability reports covers the various actions companies take to reduce their environmental impact, such as using renewable energy, reducing carbon emissions, and sustainable waste management. Companies that have a strong focus on environmental practices tend to gain support and trust from investors and consumers who are increasingly concerned with environmental issues. This study shows that companies with strong environmental dimensions in their sustainability reports tend to have better financial performance, reflected in increased EPS.

Effect of Social Dimension Disclosure on NPM

Based on the t-test results of regression model one, it is known that the social dimension has a significance level of 0.852. This indicates that the disclosure of the social dimension of sustainability has no significant impact on the company's financial performance, as measured by Net Profit Margin (NPM). Thus, H_5 is rejected. This is supported by the results of descriptive statistics on social variables with an average value of 14.47%, which means that the disclosure of the social dimension carried out by the company is low enough to explain the relationship between the disclosure of social dimension SR with NPM. This research does not follow the results of research conducted by Alhassan[32], where in this study, the social dimension has a significant influence on NPM. The regression results of model 1 have an R-value of 0.108, which means that 10% of

[30] Hamdan Zyadat Ali Abdelfattah, "The Impact of Sustainability on the Financial Performance of Jordanian Islamic Banks."

[31] Alhassan, Islam, and Haque Shariful, "SUSTAINABILITY REPORTING AND FINANCIAL PERFORMANCE OF LISTED INDUSTRIAL GOODS SECTOR IN NIGERIA."

[32] Ibid.

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changes in NPM can be explained by the variable intensity of disclosure of sustainability reports, while other variables outside the regression model influence the remaining 90% of the NPM variable. Unstable economic conditions or shifts in industrial policy may exert a greater influence on a company's Net Profit Margin (NPM) than social sustainability practices. This reflects the complex and multifaceted relationship between social initiatives and financial performance, as well as the need for consideration of external factors and a more extended period of time to measure the impact as a whole.

Effect of Social Dimension Disclosure on EPS

Based on the t-test results of the second regression model, it is known that the social dimension has a significance level of 0.038 and a regression coefficient of -0.316. This shows that the disclosure of the social dimension of sustainability significantly negatively affects the company's financial performance proxied by earning per share (EPS). Thus, H_6 is rejected. This study is not in line with the results of research conducted by Rohmah[33] and Alhassan[34], wherein the social dimension has a significant positive effect on EPS in these studies. The costs incurred by the company to publish a sustainability report, if not offset by an increase in revenue, will have an impact on decreasing EPS. Factor that may cause this negative result is the existence of mixed perceptions.[35] Mixed perceptions arise due to differences in investment horizons, with long-term and short-term investors interpreting sustainability report disclosures in distinct ways. Consequently, such information may not be equally relevant or actionable for all market participants. The practice of disclosing sustainability in Indonesia is still relatively new and the number of companies that disclose it is still relatively small, so investors in general have yet to be able to use sustainability reports as a consideration for making investments. Furthermore, sustainability reporting requires additional costs, such as audits, certification, and companies must also invest in sustainable practices (e.g., environmental friendly technology). The market may interpret increased disclosure as a company's attempt to justify excessive investment in social disclosure activities[36]. The high costs incurred by companies are also the reason why social disclosure has a negative effect on EPS.

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[33] Rohmah, Kussuma Adiputra, and Kurniawati, "PENGARUH PENGUNGKAPAN SUSTAINABILITY REPORT TERHADAP KINERJA KEUANGAN PERUSAHAAN THE EFFETCS OF SUSTAINABILITY REPORT DISCLOSURE TOWARD COPANY FINANCIAL PERFORMANCE."

[34] Alhassan, Islam, and Haque Shariful, "SUSTAINABILITY REPORTING AND FINANCIAL PERFORMANCE OF LISTED INDUSTRIAL GOODS SECTOR IN NIGERIA."

[35] Made Linda Lestari and Ketut Alit Suardana, "Pengaruh Intensitas Pengungkapan Dimensi Sustainability Reporting Terhadap Reaksi Pasar Perusahaan BUMN Yang Terdaftar Di BEI," *E-Jurnal Akuntansi* (May 10, 2019): 954.

[36] Ali Fatemi, Martin Glaum, and Stefanie Kaiser, "ESG Performance and Firm Value: The Moderating Role of Disclosure," *Global Finance Journal* 38 (November 1, 2018): 45–64.

CONCLUSION

This study found that only the environmental dimension of sustainability disclosure has a significant positive effect on financial performance proxied by NPM and EPS. Companies that focus on strong environmental practices have been proven to gain support and trust from investors and consumers who are increasingly concerned with environmental issues. This research provides both theoretical and practical implications. The theoretical implication is empirical proof of stakeholder, legitimacy, and resource-based theories on the shares of companies listed as sharia securities. The practical implication is that companies incorporated in the sharia securities list disclose sustainability activities in the environmental field as much as possible because they are proven to improve performance. Investors can use this information to select more prospective stocks, reduce investment risks, and support more sustainable business practices. As more investors pay attention to sustainability, companies with good sustainability report disclosures have the potential to become top choices for long-term investments. The result of this research is important for the Financial Services Authority (OJK) as it can help them improve sustainability policies in the Sharia financial sector. With a data-based approach, OJK can formulate regulations that are more targeted, relevant to Islamic principles, and in line with global standards. This will help create a more transparent, responsible, and long-term-oriented Islamic financial ecosystem.

Author's Contribution

Novi Puspitasari: Contributed to develop the idea, analysis of result, and write at the discussion discussion.

Hanif Fauziyah: Contributed to develop the idea and writing the article.

Norazlin binti Ab Aziz: Contributed to write article and the language proofread.

Tatok Endhiarto: Contributed to develop the idea and write at the article.

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The author declares that there is no conflict of interest.

Ethical Approval

Ethical approval No patient-identifying parts in this paper were used or known to the authors. Therefore, no ethical approval was requested.

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