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SDGs in the Business World: Do They Contribute to Financial Performance?

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Abstract: Globally, many problems occur that concern the pillars of the SDGs. Research was conducted to find out whether there is an influence of SDGs performance with Environment, Health and Safety (EHS) indicators on financial performance measured through Return on Asset (ROA). The study sampled PT Astra International data because the company regularly publishes sustainability reports and publishes them. Data processing used descriptive statistical testing using E-Views 13 with normality test, heteroscedasticity test, autocorrelation test, multiple linear regression analysis, R-Squared test, F-test, and t-test. The results of the data analysis showed that the disclosure of the Environment, Health, and Safety (EHS) sustainability report had no effect on the ROA of PT Astra International. Although PT Astra has fully disclosed its sustainability report to affect ROA, there are still other factors that fundamentally affect the Company's ROA level. This study has limitations in terms of the sample of companies because there are still companies that have not fully disclosed their sustainability reports, so this study uses a sample of one large company.

Keyword: Sustainable Development Goals, Environment, Health, and Safety, Return on Assets

1. Introduction

Currently, globally, all countries are focusing on sustainable development with the main focus on peace and prosperity for humanity in the world. To realize the 2030 agenda, the ownership of the SDGs must be implemented into commitments to all stakeholders to be implemented global goals, so that the SDGs are very helpful in facilitating these interests. Indonesia is one of the countries that is committed in terms of SDGs.
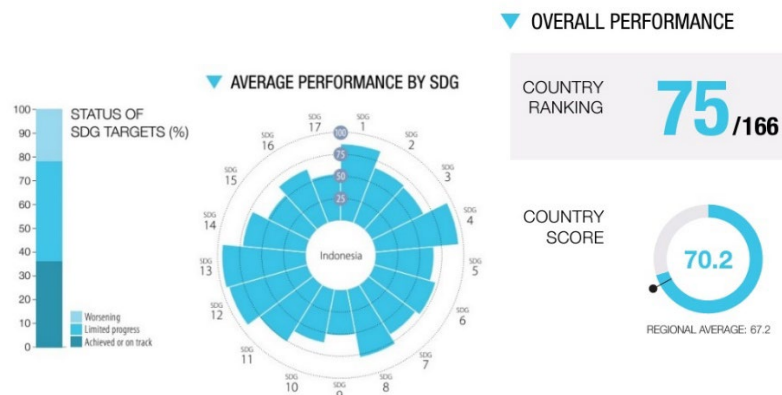

Figure 1. Performance SDGs
Source: SDG Index

Based on SDG Index data in 2023, Indonesia is ranked 75th out of 166 countries with a score of 70.2. This improvement from their 2022 ranking of 82nd out of 163 countries is a positive sign. The SDGs score is a measure to see a country's total progress in achieving the goals of all the

targets expected in the SDGs. Until now, Finland is a country that is committed in terms of achieving the SDGs goals because it remains in the top position of first out of 163 countries in terms of SDGs.
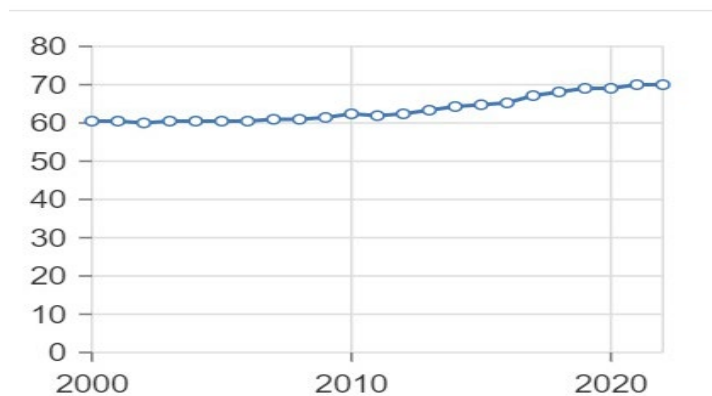

Figure 2. Overall Score SDGs Indonesia
Source: SDG Index

Based on the data shown in the graph in figure 2. It can be seen that there is a development every year in efforts to improve the SDGs carried out by the Indonesian state. The results that have been achieved are contributions from all elements including the community and business actors in various business sectors. Currently, the government is committed to the SDGs rules, business actors who run their businesses in Indonesia are expected to help in realizing development. Currently, there are many cases that concern the pillars of the SDGs, especially in terms of the environment. Many companies in carrying out their operations are inseparable from waste or the greenhouse effect produced from each of the Company's operations. For this reason, Indonesia in terms of commitment to improve the main goals of the SDGs with the Financial Services Authority Regulation (PJOK) Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. The Sustainability Report is one of the company's strategies as a media in presenting information on its contribution to the SDGs (Arifianti & Widianingsih, 2023). In terms of increasing trust in all stakeholders, each company can openly and transparently present the information contained in the sustainability report (Triyani *et al*., 2020).

According to Nabila & Arinta (2021) market participants will respond positively to sustainability information published by the company. So that the sustainability report has an influence on the company's performance. Research related to the SDGs has been widely carried out today due to the need for global sustainability information such as research conducted by Arifianti & Widianingsih (2023), Khan *et al.* (2022), Farida (2022), Alfiah & Arsjah (2021).

In terms of disclosure, there are many variations that each company undertakes in their sustainability reporting process. In addition, many companies have not reported their sustainability reports in full. The quality of the report strongly reflects the company's seriousness in supporting the achievement of the SDGs nationally. Research conducted by Tsalis *et al.* (2020) related to the level of quality of reporting SDGs information with results that are still very low, there are even

some companies that are still incomplete in terms of reporting disclosure so that they are incomplete in providing an overview of their contribution to the SDGs.

Therefore, this study tries to provide empirical evidence related to the relationship between the disclosure of the SDGs and the company's financial performance. This study is novel by trying to research related to the influence of Environment, Health and Safety (EHS) sustainability reporting on financial performance through Return On Asset (ROA). The research uses a sample of the company, namely PT Astra International. The sample was taken because the company is consistent in submitting its sustainability report and can be transparently known to external parties. Previous research conducted by Alfiah & Arsjah (2021), Sulbahri & Fuadah (2022) results that the disclosure of the SDGs report greatly affects the ROA Level because the more things are disclosed related to the SDGs, the higher the company's ROA level. Meanwhile, the results of the research from Arifianti & Widianingsih (2023), Hasanah *et al.* (2022) contrary because it produces SDGs reporting that is not related to financial performance.

Based on previous research, the following research hypotheses can be drawn:

H_1 : Disclosure of Environment, Health, and Safety (EHS) sustainability affects ROA

H_0 : Disclosure of Environment, Health, and Safety (EHS) sustainability has no effect on ROA

2. Research Method

This research is a type of quantitative research that uses the company's secondary data that is published in general. The data used comes from the company's annual sustainability report data and the company's annual financial statements with a period of 2013 to 2020. With PT Astra International as a sample company. The selection of the sample uses purposive sampling with the criteria of (1) companies that publish sustainability reports regularly every year and publish them to external parties from 2013 to 2020. (2) The company is included in the category of large companies in terms of assets and capital owned. (3) committed in terms of supporting the goals of the SGDs nationally and internationally. The data were processed using descriptive statistical testing using E-Views with normality test, heteroscedasticity test, autocorrelation test, multiple linear regression analysis, R-Squared test, F-test, and t-test. The variables used in this study are Environment, Health, and Safety (EHS) data as an independent variable and ROA as a dependent variable

$$ROA = \frac{Net\ Income}{Total\ Asset} x\ 100\% \tag{1}$$

ROA = Rate of return on assets

Net Income = The after-tax profit earned by the company

Total Asset = Overall assets owned by the company (capital + liabilities)

Regression equation formula

$$ROA = \alpha + \beta.SDGs + \varepsilon \tag{2}$$

ROA = Return on Assets (dependent variable)

SDGs = SDGs achievement indicators (independent variables, EHS)

α = Constant (intercept)

B = Regression coefficient showing the influence of SDGs on ROA

ε (epsilon) = Error term (residual error)

3. Results and Discussions
Statistical Results

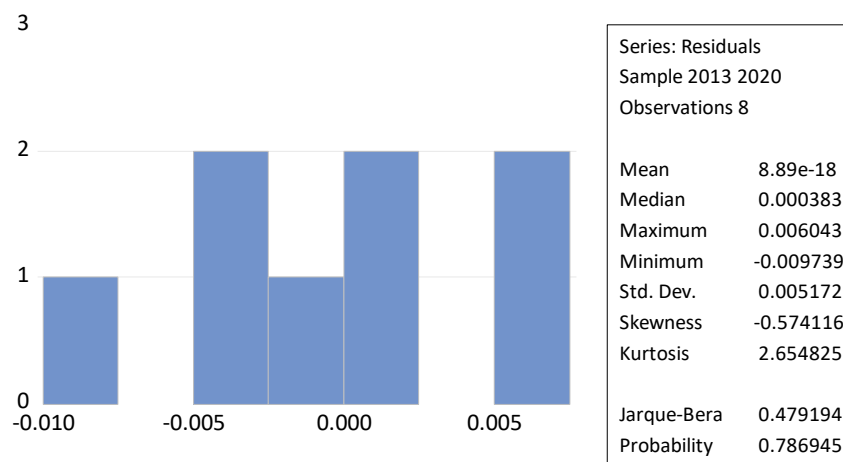| Series: Residuals	
Sample 2013 2020	
Observations 8	
Mean	8.89e-18
Median	0.000383
Maximum	0.006043
Minimum	-0.009739
Std. Dev.	0.005172
Skewness	-0.574116
Kurtosis	2.654825
Jarque-Bera	0.479194
Probability	0.786945

Figure 3. Normality Test

Source: Results of Statistical Data Processing, 2024

According to Ghozali (2016) The normality test was carried out to find out whether the distribution of each variable was normal or not. Based on the data, the Probability Jarque-Bera value of 0.479 (>0.005) can be concluded that the data is distributed normally to continue to the next process.

Table 1. Heteroscedasticity Test

F-statistik	1.237668	Prob. F(5,2)	0.5035
Obs*R-squared	6.046002	Prob. Chi-Square(5)	0.3018
Scaled explained SS	0.312659	Prob. Chi-Square(5)	0.9974

Source: Results of Statistical Data Processing, 2024

According to Setiawati (2021) The Heteroscedasticity test is used to find out that in the regression model studied there are inconsistencies between observations. Based on the results of data processing, the Probability Obs*R-squared value was obtained of 0.3018 (>0.05), so it can be concluded that the assumption of the heteroscedasticity test has been fulfilled so that it can be continued for the next data processing process.

Table 2. Autocorrelation Test

F-statistik	0.019212	Prob. F(1,1)	0.9123
Obs*R-Squared	0.150799	Prob. Chi-Square(1)	0.6978

Source: Results of Statistical Data Processing, 2024

According to Ghozali (2016), autocorrelation conditions can arise due to observations that are intermittent and interrelated with each other. Based on the data processing, the Probability Obs*R-squared value is 0.6978 (>0.05), so it can be concluded that the assumption of the autocorrelation test has been met.

Table 3. Hypothesis Test

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	0.074775	0.018914	3.953354	0.0584
X1	0.193727	0.144221	1.343262	0.3113
X2	0.130658	0.098067	1.332338	0.3143
X3	-0.445027	0.255489	-1.741861	0.2237
X4	-0.159775	0.245763	-0.650118	0.5823
X5	-0.004533	0.079354	-0.057127	0.9596
R-squared	0.841685	Mean dependent var		0.075875
Adjusted R-Squared	0.445898	S.D. dependent var		0.012999
S.E. of regression	0.009676	Akaike info criterion		-6.324542
Sum squared resid	0.000187	Schwarz criterion		-6.264961
Log likelihood	31.29817	Hannan-Quinn criter.		-6.726393
F-statistic	2.126612	Durbin-Watson stat		1.596915
Prob(F-statistic)	0.350059			

Source: Results of Statistical Data Processing, 2024

The results of the partial regression coefficient test (t-test) were carried out to find out whether the regression model equation formed partially, namely the independent variable, had a significant effect on the non-independent variable (Yuliara, 2016). Based on the data of table 3. The regression equation is $0.075 + 0.194X_1 + 0.131X_2 - 0.445X_3 - 0.159X_4 - 0.004X_5$

Analysis of the results of the t-test (Hypothesis Test)

Variable X_1 has a t-statistical value of 1.343 with a prob value. (significance) of 0.311 (>0.05), it can be concluded that the X1 variable does not have a significant effect on the Y variable.

Variable X_2 has a t-statistical value of 1.332 with a prob value. (significance) of 0.314 (>0.05), then it can be concluded that the X2 variable does not have a significant effect on the Y variable.

Variable X_3 has a t-statistical value of -1.741 with a prob value. (significance) of 0.223 (>0.05), it can be concluded that the X3 variable does not have a significant effect on the Y variable.

Variable X_4 has a t-statistical value of -0.650 with a prob value. (significance) of 0.582 (>0.05), then it can be concluded that the X4 variable does not have a significant effect on the Y variable.

Regression Equation

Based on the results of the regression test, the regression equation was obtained, namely:

$$0.075 + 0.194X_1 + 0.131X_2 - 0.445X_3 - 0.159X_4 - 0.004X_5 + e \quad (1)$$

The equation can be interpreted that if X_1, X_2, X_3, X_4 and X_5 are worth 0 then the ROA value is 0.075. Based on the equation, X_1 and X_2 have positive values, meaning that the independent variable has a positive relationship with the bound variable. As for X_3, X_4 and X_5, the value is negative, meaning that the free variable has a negative relationship with the bound variable.

Value of the constant obtained is 0.075, it can be interpreted that if the independent variable increases by one unit on average, then the dependent variable will increase by 0.075.

The value of the regression coefficient of variable X_1 has a positive value of 0.194, it can be interpreted that if variable X_1 increases, the variable Y will increase by 0.194, and vice versa.

The value of the regression coefficient of variable X_2 has a positive value of 0.131, it can be interpreted that if variable X_2 increases, the variable Y will increase by 0.131, and vice versa.

The value of the regression coefficient of variable X_3 has a negative value of -0.445, it can be interpreted that if variable X_3 increases, the variable Y will decrease by -0.445, and vice versa.

The value of the regression coefficient of the X_4 variable has a negative value of -0.159, so it can be interpreted that if the X_4 variable increases, the Y variable will decrease by -0.159, and vice versa.

The value of the regression coefficient of the X_5 variable has a negative value of -0.004, it can be interpreted that if the X_5 variable increases, the Y variable will decrease by -0.004, and vice versa.

Analysis of Test Results F (Simultaneous)

An F-Statistics score of 2,123 was obtained with a Prob score. (F-Statistics) of 0.350 (>0.05), it can be concluded that the independent variable (X) does not have a significant effect simultaneously (simultaneously) on the Dependent variable (Y).

Analysis of Determination Coefficient Test Results:

It is known that the Adjusted R-Squared value is 0.445, so it is concluded that the contribution of the influence of independent variables on dependent variables simultaneously (simultaneously) is 44.5%. While the remaining 55.5% was influenced by other variables outside the study.

4. Discussion

The results of the data analysis showed that the disclosure of the Environment, Health, and Safety (EHS) sustainability report had no effect on the ROA of PT Astra International. These results have similarities with research Arifianti (2023), Hasanah *et al.*, (2022) that the sustainability report quantitatively does not affect the increase in ROA, although there are differences in the characteristics of the sample and its measurement, but it can be proven by the

same results, namely the company's efforts in terms of disclosure of sustainability information cannot be a decisive factor in increasing the company's ROA.

Currently, although the sustainability aspect related to the contribution to achieving the goals of the SDGs has become a hot trend for the company's management, the quality of disclosure as a form of accountability is still not the main focus of attention (Arifianti, 2023). There are still many companies that are currently still trying to improve the quality of sustainability disclosures. In the numerical sustainability report during the period 2018-2020, an average score of 53% was obtained, which means that until 2020 there are still many companies that are trying to improve the quality of their sustainability reports (Nelson, 2023).

Conclusion

The results of the data analysis showed that the disclosure of the Environment, Health, and Safety (EHS) sustainability report had no effect on the ROA of PT Astra International. Although PT Astra has fully disclosed its sustainability report to affect ROA, there are still other factors that fundamentally affect the company's ROA level. However, the sustainability report that has been implemented by PT Astra International is a good thing for the contribution of the SDGs nationally, this is shown by the increase in Indonesia's ranking from 82nd to 75th out of 166 countries. This is a real contribution of Astra International in supporting the SDGs which is expected to help in realizing development. This is a good example for other companies in terms of sustainability disclosure for the realization of national development.

Suggestion

This study has limitations in terms of the sample of companies because there are still companies that have not fully disclosed their sustainability reports, so this study uses a sample of one large company. So that for future researchers, it is hoped that they can conduct research with more samples.

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