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The Influence of Sustainability Report Disclosure, Firm Size, And Green Accounting On Return on Assets of Companies in Basic Materials Sector In 2020-2024

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Abstract

Purpose – *This study aims to analyze the effect of Sustainability Report Disclosure, Firm Size, and Green Accounting on Return on Assets (ROA) of basic materials sector companies listed on the Indonesia Stock Exchange for the period 2020-2024.*

Design/methodology/approach – *This research employs a quantitative approach with causal-explanatory design using secondary data obtained from annual reports and sustainability reports. The sample consists of 16 basic materials sector companies selected using purposive sampling technique, resulting in 80 observations during 2020-2024. Data analysis was conducted using panel data regression with Random Effect Model (REM) approach, supported by EViews 9 software. Variable measurement uses disclosure index based on GRI Standards 2021 for Sustainability Report, natural logarithm of total assets for Firm Size, and dummy variable for Green Accounting based on environmental cost disclosure.*

Findings – *The results showed that the overall model was significant (F-statistic = 2.245; p-value = 0.090), explaining 8.14% of the variation in ROA (R^2 = 0.814). Individually, the Sustainability Report Disclosure variable had no effect on ROA (coefficient = 0.0034; p-value = 0.4998), indicating that corporate sustainability transparency has not been able to improve asset profitability. Firm size did not affect ROA (coefficient = 0.0008; p-value = 0.6878). The results showed that firm size does not directly reflect a company's ability to generate profits from its assets. On the other hand, Green Accounting shows a negative effect on ROA (coefficient = -0.0608; p-value = 0.0163), this can be interpreted that the costs arising from the implementation of Green Accounting in the short term have the potential to reduce the company's profitability, although in the long term it can provide non-financial benefits such as reputation and business sustainability. Practically, companies that implement Green Accounting (disclose environmental costs in sustainability reports) have a lower ROA of 6.1 points compared to companies that do not implement it, assuming other variables are constant.*

Research limitations/implications – *This research was obtained from financial reports and sustainability reports. The data obtained only covers a five-year period and may not fully capture the quality or substance of the disclosures, but only the quantity.*

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INTRODUCTION

Companies in this sector face pressure from investors, regulators, and the public to focus not only on financial performance but also on social and environmental responsibility through Sustainability Report Disclosure and Green Accounting practices. Furthermore, firm size also influences the ability to manage assets, implement sustainability innovation, and maintain reputation. This is important to study because significant differences in the implementation of sustainability practices among raw material companies still exist, which has implications for financial performance, particularly Return on Assets (ROA). By analyzing the 2020–2024 period, this study provides an empirical overview of the extent to which sustainability disclosure, company scale, and green accounting practices can influence the efficiency of asset use in this strategic yet vulnerable sector.

Sustainable development has been recognized as a vital framework for ensuring the long-term well-being of society and the planet. In a business context, business sustainability is no longer simply an option but a strategic imperative. Companies that adopt sustainability principles tend to have greater resilience to market volatility, stronger innovation, and a better reputation (Porter & Kramer, 2011). Corporate Social Responsibility, which is at the heart of Sustainability Report disclosures and Green Accounting practices, reflects the recognition that companies are an integral part of society and have a moral obligation to contribute to the common good. Legitimacy Theory and Stakeholder Theory provide a strong theoretical foundation behind these practices, asserting that a company's survival depends heavily on its ability to operate within the boundaries of social norms and values, and meet stakeholder expectations (Deegan, 2002; Freeman & Mcvea, 1984). Through sustainability reporting and green accounting, companies can demonstrate their commitment to ethical and responsible business practices, thereby strengthening legitimacy and trust.

Firm size is a fundamental characteristic often associated with a company's ability to manage resources, reach markets, and face external pressures, including in the context of sustainability. Larger companies generally have more complex organizational structures, broader access to financing, and greater capacity to adopt and report on sustainability initiatives such as sustainability reports and green accounting practices. Therefore, firm size is often assumed to influence a company's financial performance, including profitability, as measured by return on assets (ROA).

In relation to Legitimacy Theory and Stakeholder Theory, firm size can influence stakeholder expectations regarding transparency and accountability. Large companies are expected to demonstrate a tangible commitment to sustainability through comprehensive disclosure practices and the use of accounting systems that reflect ethical values and social responsibility. Therefore, analyzing the effect of firm size on ROA in the context of Sustainability Report Disclosure and the implementation of Green Accounting is highly relevant, particularly in Indonesia's raw materials sector, which has a high environmental impact and significant economic influence.

In today's information age, investment decisions are no longer based solely on historical financial data. Non-financial information, such as that contained in Sustainability Reports, plays an increasingly important role in shaping investor perceptions and influencing capital allocation decisions. Investors, particularly institutional investors and ESG-focused

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investment funds, actively seek out companies with strong sustainability practices, believing they can mitigate long-term risk and enhance long-term value (Eccles et al., 2014). Disclosure of sustainability information can act as a positive signal (Signaling Theory) to the market that a company has good governance, proactive risk management, and strategic foresight, which can ultimately attract capital and influence company valuation (Connelly et al., 2011). Good sustainability performance is also believed to improve operational efficiency, reduce costs, and open up new market opportunities, which indirectly contribute to a company's financial performance.

Numerous studies have been conducted on the impact of Sustainability Reports and Green Accounting on financial performance, but the results are inconsistent and research gaps remain. Some studies have found a positive relationship between sustainability disclosure and financial performance (Ulwiyah & Mahirun, 2024), indicating that good sustainability practices can increase profitability. However, other studies have found insignificant or even negative results (Aprilia & Yuliadi, 2020), highlighting the complexity of this relationship, which may be influenced by industry context, measurement methods, or specific economic conditions. Return on Assets (ROA) was chosen as the dependent variable in this study because it is a fundamental and comprehensive financial performance indicator for evaluating company efficiency. ROA measures management's ability to generate net income from a company's total assets (Bringham & Houston, 2019). Based on the background described above, the authors want to test again by conducting research entitled "The Influence of Sustainability Report Disclosure, Firm Size, and Green Accounting on Return on Assets of Companies in Basic Materials Sector in 2020-2024".

LITERATUR REVIEW

Legitimacy Theory

Legitimacy theory states that organizations continually seek ways to ensure that their operations fall within the boundaries of what society deems "legitimate" (Suchman, 1995). Companies operate within a larger social system, and their continued operations depend on societal support. When there is a gap between corporate values and societal values (a legitimacy gap), companies will attempt to close the gap through various means, including information disclosure. Disclosure of sustainability reports and the implementation of green accounting can be seen as corporate strategies to gain or maintain social legitimacy and demonstrate that they operate in accordance with societal norms and expectations regarding environmental and social responsibility (Deegan, 2002). In the context of the raw materials sector, which is vulnerable to criticism regarding its environmental impact, legitimacy theory becomes particularly relevant. Companies in this sector tend to face greater legitimacy pressures because their operational activities often have a direct impact on the environment and society. Therefore, disclosure of sustainability information becomes an important mechanism for maintaining their "license to operate."

Stakeholder Theory

Stakeholder Theory suggests that companies have responsibilities not only to shareholders but also to various groups of individuals or entities that can influence or be

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influenced by the achievement of organizational goals (Freeman & Mcvea, 1984). These stakeholder groups include employees, customers, suppliers, local communities, governments, and the environment. In this context, Sustainability Report and Green Accounting disclosures are crucial as communication tools for managing relationships with these various stakeholders, meeting their information demands, and building trust. Meeting stakeholders' information needs can reduce conflict, enhance reputation, and ultimately contribute to the company's long-term financial performance (Jensen, 2010). This theory also explains why larger companies (firm size) tend to face greater pressure from stakeholders to make more comprehensive disclosures. Larger companies have higher visibility and broader impact, resulting in higher stakeholder expectations for transparency and accountability.

Signaling Theory

Signaling Theory argues that information asymmetry exists between management (the more knowledgeable internal party) and external parties (investors, creditors) in the capital market. Management with superior information can send signals to the market through information disclosure. Transparent and high-quality disclosures, such as a comprehensive Sustainability Report or relevant Green Accounting information, can be a positive signal indicating a company's commitment to good business practices, effective risk management, and potential for solid future performance. These positive signals can reduce investor uncertainty, increase trust, and ultimately impact a company's value or financial performance (Connelly et al., 2011). In the context of this research, sustainability disclosure can serve as a signal that a company has competent management, a clear long-term vision, and the ability to effectively manage operational and reputational risks.

Sustainability Report Disclosure

According to (Eccles et al., 2014), sustainability disclosure is a company's practice of presenting information transparently to stakeholders. Their research shows that companies with high levels of sustainability practices tend to have better long-term performance, both operationally and financially, than companies with low levels of disclosure. This is because transparency of sustainability information increases accountability, strengthens reputation, and attracts investors oriented towards sustainable investment. In the context of the raw materials sector, this theoretical basis is particularly relevant because the sector is closely related to the use of natural resources, the risk of environmental pollution, and broad social impacts. According to legitimacy theory, companies in sectors with significant environmental impacts are under greater pressure to demonstrate sustainability commitments through transparent reporting to gain legitimacy from the public and stakeholders. Therefore, Sustainability Report disclosure is not only a compliance instrument but also a strategy to build public trust, minimize reputational risk, and ultimately contribute to improved financial performance such as Return on Assets (ROA).

Firm Size

Firm size is a fundamental characteristic that describes the size of a business entity. This measure reflects a company's ability to manage resources, generate profits, and face

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market risks. In general, firm size is seen as an indicator of a company's structure, which can influence investor expectations, operational stability, and return on assets. Larger companies typically have broader access to capital, a more established market reputation, and higher operational efficiency, although this does not necessarily guarantee high stock returns. According to (Hartono, 2022), "Company size is an indicator of a company's size, which can influence its financial structure, profitability, and ability to access capital markets." In general, firm size is seen as an indicator that can influence various aspects of company performance, including return on assets. Larger companies typically have broader access to capital, a more established market reputation, and the potential for higher economies of scale. However, large companies can also face operational complexity and bureaucracy that can reduce efficiency.

Green Accounting

According to (Bartelmus & Seifert, 2018) in the book Green Accounting, Green Accounting is defined as an accounting system that functions to internalize environmental impacts into an economic framework and financial statements. This accounting aims to measure environmental costs such as natural resource degradation, pollution, ecosystem damage, and incorporate them into company performance calculations and financial statements. Bartelmus emphasized that Green Accounting is not only relevant at the micro (company) level, but also important at the macro (national) level as a policy-making tool that considers sustainability aspects. In other words, Green Accounting becomes a bridge between the economic system and the ecological system, so that economic growth does not sacrifice environmental sustainability. This approach reflects a paradigm shift in accounting, from merely financial reporting to more holistic and socially and ecologically responsible information disclosure. Green Accounting includes the identification, measurement, recording, and reporting of environmental costs that are often not reflected in conventional accounting, such as waste management costs, environmental restoration costs, and investments in environmentally friendly technologies.

Return on Assets

Return on Assets (ROA) is a profitability ratio that measures how efficiently a company uses its total assets to generate net income. This ratio indicates the company's overall ability to generate profits from every rupiah of assets it owns. According to (Bringham & Houston, 2019), ROA is "a ratio that measures the rate of return of a business on all existing assets, or a measure of management's effectiveness in managing its investments." The higher the ROA, the more effectively the company manages its assets to generate profits. ROA is calculated by dividing net income after tax by the company's total assets, usually expressed as a percentage. This ratio is an important indicator for investors and management because it illustrates the productivity of a company's assets in generating profits, regardless of the financing structure used.

Hypotheses Development

According to research (Silvryza & Kusumawardani, 2024), disclosure of a

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Sustainability Report has a positive impact on Return on Assets (ROA) because transparency of sustainability information increases investor confidence and a company's reputation. A comprehensive sustainability report demonstrates a company's commitment to social and environmental responsibility, thereby enhancing its legitimacy in the eyes of stakeholders. This increased legitimacy results in broader access to funding, consumer loyalty, and improved operational efficiency. Indirectly, this will drive increased company profitability, reflected in financial performance, particularly ROA. Therefore, the following research hypothesis is (H_1): Disclosure of a Sustainability Report has a positive impact on a company's Return on Assets (ROA).

Based on research (Silvryza & Kusumawardani, 2024), company size plays a significant role in influencing a company's profitability, as reflected in Return on Assets (ROA). Larger companies generally possess more extensive resources, both in terms of assets, capital, and access to funding, enabling them to more optimally exploit business opportunities. With a larger scale of operations, companies also have stronger bargaining power with suppliers and consumers, which ultimately improves cost efficiency and profit margins. Furthermore, larger companies tend to have a better reputation among investors, making it easier to gain market trust, leading to increased company value. Larger assets also enable companies to diversify their businesses and invest in more modern technology, which can support productivity and profitability. In the context of the raw materials sector, larger companies are better able to adapt to sustainability demands and environmental regulations because they have the capacity to bear additional costs without significantly compromising financial performance. This strengthens the argument that firm size is a critical factor in determining a company's ability to generate profits from its assets. Previous research also shows that large companies are more resilient to market volatility than smaller companies, thus providing stability in generating profits. Therefore, the larger the company size, the higher the potential for increasing ROA. Therefore, the hypothesis in this study is formulated as follows (H_2): Firm size has a positive effect on a company's Return on Assets (ROA).

According to (Damayanti & Widyowati, 2022), Green Accounting practices often negatively impact company profitability, as measured by Return on Assets (ROA). This is because implementing environmental accounting requires companies to incur additional costs for waste management, investing in environmentally friendly technology, sustainability reporting, and meeting regulatory standards. These costs have the potential to reduce a company's net profit in the short term because they are allocated to non-productive activities that do not directly generate revenue. In the raw materials sector, companies face significant challenges because their operations are closely tied to the exploitation of natural resources, which has significant environmental impacts. Consequently, the costs of implementing Green Accounting are relatively higher. This condition results in a decline in profitability, as reflected in the ROA ratio, even though the long-term goal is business sustainability. Furthermore, companies that are immature in managing sustainability strategies will struggle to convert these environmental costs into financial added value. Another factor that reinforces this negative relationship is market pressure, where investors tend to focus more on short-term financial results than long-term sustainability benefits. Therefore, the

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implementation of Green Accounting within an asset efficiency framework is often perceived as a burden that reduces company profits. Thus, as Damayanti explains, Green Accounting practices tend to decrease profitability rather than increase it, at least in the short term. Therefore, the following research hypothesis is (H3): Green Accounting has a negative effect on a company's Return on Assets (ROA).

RESEARCH METHOD

This study adopts a quantitative approach with a causal-comparative or explanatory design. By collecting financial data and corporate sustainability reports in numerical form, the researcher will analyze them statistically to reach objective conclusions (Sekaran & Bougie, 2016). Furthermore, the use of a causal-comparative or explanatory design allows this study to investigate the extent to which Sustainability Report Disclosure, Firm Size, and Green Accounting influence a company's Return on Assets (ROA). This design emphasizes identifying and measuring the relationship between independent and dependent variables, allowing the researcher to explain how changes in one variable may cause changes in the other. Thus, the focus of this study is not only on describing the phenomenon but also on seeking explanations regarding the functional relationships between variables in the context of raw material companies in Indonesia during the period 2020–2024 (Creswell, 2014). This study develops its theory deductively, by formulating hypotheses based on existing theories. These hypotheses are then tested using empirical data (Foster et al., 2016). In terms of methodology, this study is quantitative, meaning that all variables are measured numerically and analyzed using statistical software to identify relationships and their level of significance (Hair et al., 2019).

This research adopts a case study strategy focused on raw material sector companies in Indonesia for the period 2020–2024. This approach was chosen to allow for a more in-depth and specific discussion of the phenomenon being studied (Yin, 2018). The unit of analysis is companies in the raw material sector listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024. The researcher's involvement is minimal, serving only as a collector and analyzer of secondary data in the form of annual reports and sustainability reports that are publicly available. This research is conducted in a non-contrived setting, which means the researcher does not intervene with the research subjects. Instead, the researcher merely utilizes the available data as it is, without manipulation or condition adjustment (Punch, 2014). This study employs a panel data design, which is a combination of cross-section data and time series (Wooldridge, 2019). Data collection was conducted through content analysis of annual reports and sustainability reports. This method was chosen because it is effective in extracting data from textual documents in an objective and structured manner (Krippendorff, 2018). In addition to the data generated from content analysis, this study also uses secondary numerical data for the ROA variable. Thus, this research manages two types of data: available secondary numerical data and scoring data from the content analysis of company documents. The sample selection was carried out non-probability using purposive sampling, by only selecting companies in the raw materials sector that meet the criteria, such as the obligation to publish complete annual and sustainability reports during the research period (Etikan et al., 2016).

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Table 1. Research Sample

	Criteria	Number of Companies
Number of basic material sector companies listed on the Indonesia Stock Exchange as of December 31, 2024.		112
1	Companies consistently listed during the 2020-2024 period.	(96)
2	Companies that do not publish Sustainability Reports consistently.	(65)
3	Companies with incomplete or unaudited financial data.	(10)
4	Companies with significant missing data.	(5)
Total sample companies according to criteria		16
Total years of observation		5
Total observations in this study		80

By using 16 companies over a 5-year observation period (2020-2024), the total observations in this study are 80 observations (16 companies × 5 years).

Table 2. Measurement Scale

Variable	Operational Definition (Indicator)	Scale	Measurement Formula	Source
Sustainability Report Disclosure (X1)	The level of disclosure of economic, environmental, and social information of the company based on GRI Standards 2021.	Ratio	(Total indicators disclosed / Total indicators that should be disclosed) × 100%	(Nugrahani & Artanto, 2022)
Firm Size (X2)	The size of the company, proxied by the natural logarithm of total assets to reduce skewness and allow for the interpretation of elasticity.	Ratio	Ln (Total Assets)	(Bringham & Houston, 2019)

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Green Accounting (X3)	Accounting practices that integrate environmental aspects are measured by the disclosure of environmental costs in sustainability reports.	Dummy	1 = reveals environmental costs; 0 = does not reveal	(Hartiah & Pratiwi, 2022)
Return on Assets (Y)	The profitability ratio that measures the effectiveness of a company in using its assets to generate net profit.	Ratio	(Net Profit After Tax / Total Assets) × 100%	(Astriyanto & Sulestiyono, 2024)

Data Source

This research employs a quantitative research method, where the data obtained is presented in numerical form and analyzed using the statistical tool eviews9. The data source for this study is secondary data obtained from publications of the Indonesia Stock Exchange (IDX). The data used are companies' annual financial reports and sustainability reports, which serve as samples of companies listed on the Indonesia Stock Exchange (IDX) for the period 2020 to 2024.

Data Collection Techniques

In this study, the data collection technique used is secondary data, which is data obtained from the annual reports of all basic material sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2020 to 2024. Additionally, data was also collected from sustainability reports published on the official websites of each company during the specified period. All secondary data used in this study are data that have been published and previously collected by the companies, in the form of annual financial reports and sustainability reports that can be accessed through the official IDX website (https://www.idx.co.id/en) and through the official websites of each basic material sector company. This study employs purposive sampling technique, which is a sample selection method based on specific criteria set by the researcher to ensure that the selected sample is relevant to the research objectives. The data collection method used a content analysis approach. Content analysis is a research technique aimed at providing a systematic and objective description of the contents of a communication medium. In addition to quantitative data from sustainability reports, this study also uses numerical data on the dependent variable, which is Return on Assets, and the independent variable, which is Firm Size, obtained from the company's financial statements. This data is used to measure the

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company's Return on Assets for the period 2020–2024.

RESULTS

Descriptive statistical analysis aims to provide an overview of the characteristics of the data from each variable used in this study. This analysis is important for understanding data distribution, identifying potential outliers, and providing initial context before conducting more complex inferential analysis. As previously explained, the independent variables in this study consist of Sustainability Report Disclosure (SRD), Firm Size (FS), and Green Accounting (GA). The dependent variable in this study is Return on Assets (ROA). Descriptive statistics are presented in the form of minimum, maximum, mean, and standard deviation values for each variable, based on observational data during the study period, which is from 2020 to 2024. These values are used to understand the distribution and spread of the data, as well as to determine the extent to which the variables in this study vary over the observation period.

Table 3. Descriptive Statistical Test Results

	ROA	SRD	FS	GA
Mean	0.040231	1.457925	18.60682	0.950000
Median	0.035100	1.488050	16.98905	1.000000
Maximum	0.156500	2.810800	29.87680	1.000000
Minimum	-0.053000	0.112900	13.04820	0.000000
Std. Dev.	0.038964	0.788541	4.404606	0.219320
Skewness	0.219347	0.082730	1.327414	-4.129483
Kurtosis	3.449408	2.017101	3.899666	18.05263
Jarque-Bera	1.314731	3.311556	26.19169	982.6408
Probability	0.518215	0.190943	0.000002	0.000000
Sum	3.218500	116.6340	1488.546	76.00000
Sum Sq. Dev.	0.119939	49.12201	1532.644	3.800000
Observations	80	80	80	80

Source: data processing eviews9

Hypothesis Test

Based on the results of the model selection test, the Random Effect Model (REM) was chosen as the best model for this study. This model is efficient, captures variation across cross-sections, and provides robust estimates.

Multiple Linear Regression Test

$$ROA = 0{,}079 + 0{,}004*SRD + 0{,}0008*FS - 0{,}061*GA + \varepsilon$$

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Based on the derivation of the equation model above, it can be explained that:

a. Constant (α = 0.079). The constant value of 0.079 indicates that if the variables of Sustainability Report Disclosure (SRD), Firm Size (FS), and Green Accounting (GA) are considered to be zero, then the Return on Assets (ROA) for companies in the basic material sector is estimated to be at 7.9%. This value represents the baseline average performance of the company's assets before being influenced by the three independent variables.

b. The coefficient of Sustainability Report Disclosure (β_1 = 0.004). A SRD coefficient of 0.004 means that for every one-unit increase in Sustainability Report Disclosure, it is estimated to increase ROA by 0.4%, assuming other variables remain constant. This indicates that the higher the transparency of sustainability disclosed, the greater its contribution to the efficiency of asset use in generating profit.

c. Firm Size Coefficient (β_2 = 0.0008). A Firm Size coefficient of 0.0008 indicates that every increase of one unit in the natural logarithm of total assets will increase ROA by 0.08%, ceteris paribus. This means that the larger the size of the company, the more effective the company is in utilizing assets to generate profits.

d. Green Accounting coefficient (β_3 = -0.061). The negative Green Accounting coefficient (-0.061) indicates that the adoption of Green Accounting practices actually decreases ROA by 6.1%, assuming other variables are held constant. This can be interpreted that the costs arising from the implementation of Green Accounting in the short term may reduce the company's profitability, although in the long term it can provide non-financial benefits such as reputation and business sustainability.

Table 4. Path Coefficient

Variabel	Hipotesis	Arah Pengaruh	*Coefficient*	*t-Statistic*	*P-Values*	Hasil
PSR → ROA	H_1	Positif	0.004	0.678	0.4998	**Hypothesis is rejected**
FS → ROA	H_2	Positif	0.0008	0.4034	0.6878	**Hypothesis is rejected**
GA → ROA	H_3	Negatif	-0.0608	-2.457	0.0163	**Hypothesis is accepted**

Source: data processing eviews9

According to Table 4 the summary of the hypothesis results is obtained as follows:

a. The results of the hypothesis test on the Disclosure of the Sustainability Report against Return on Assets show a coefficient of 0.004 and a p-value of 0.4998. Therefore, H_1 is rejected, so it can be stated that Sustainability Report Disclosure does not affect Return on Assets.

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b. The results of the hypothesis test on Firm Size against Return on Assets show a coefficient of 0.0008 and a p-value of 0.6878. Therefore, H_2 is rejected, so it can be stated that Firm Size does not affect Return on Assets.

c. The results of the hypothesis test on Green Accounting against Return on Assets show a coefficient of -0.0608 and a p-value of 0.0163. Therefore, H_3 is accepted, so it can be stated that Green Accounting has a negative effect on Return on Assets.

DISCUSSIONS

Based on the analysis using the Random Effect Model, the variable of Sustainability Report Disclosure shows a coefficient of 0.004, a t-statistic value of 0.679, and a p-value of 0.4998. These results indicate that SRD does not have an effect on Return on Assets. Specifically, each 1% increase in Sustainability Report Disclosure will increase ROA by 0.4%, assuming other variables are constant. The research results show that Sustainability Report Disclosure does not influence ROA, thus the transparency of sustainability carried out by the company has not been able to improve asset profitability performance. In relation to Legitimacy Theory, this can be interpreted that the disclosure is done more as an effort to maintain social legitimacy, rather than to encourage an increase in asset efficiency. In the perspective of Stakeholder Theory, sustainability report function more to meet the demands of external parties such as regulators, investors, and the public, thus the direct impact on profitability is not evident. Meanwhile, from the perspective of Signaling Theory, although the Disclosure of Sustainability Reports should convey a positive signal regarding the company's commitment to sustainability, this signal is not always translated by the market into an increase in short-term financial value. Therefore, these results illustrate that sustainability reporting in the basic materials sector is more symbolic rather than having a real impact on increasing ROA. These findings are in line with several previous studies that also found that the Disclosure of Sustainability Reports does not always correlate with the profitability of companies. For example, research by (Putra & Subroto, 2023) shows that sustainability disclosure has a greater impact on aspects of reputation and social legitimacy compared to financial performance. Additionally, other studies emphasize that the implementation of sustainability reporting in Indonesia is still often done to meet regulatory obligations, thus its effect on asset use efficiency is not significant. This is different from global companies that are more mature in integrating sustainability practices into their core business strategies, enabling them to reap financial benefits from such reporting. Therefore, the results of this study reinforce empirical evidence that in the Indonesian raw materials sector for the period 2020–2024, The disclosure of the Sustainability Report has a greater impact on non-financial aspects compared to the increase in ROA.

The Firm Size variable shows a coefficient of 0.0007, a t-statistic of 0.4034, and a p-value of 0.6878. These results indicate that Firm Size does not affect Return on Assets. The research findings show that Firm Size does not influence ROA, hence the size of the company does not directly reflect its ability to generate profit from its assets. When linked to Legitimacy Theory, a large company size is often used to gain social legitimacy, but this does

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not always impact the efficiency of asset utilization in boosting profitability. From the perspective of Stakeholder Theory, large companies tend to focus more on meeting the demands of various parties, such as regulators, employees, and the community, which often incurs high costs, thereby burdening financial performance. Meanwhile, from the perspective of Signal Theory, although large companies are expected to provide positive signals regarding stability and business resilience, the market does not always interpret asset size as an indicator of success in optimizing profits. Thus, this finding indicates that company size only reflects resource capacity but does not guarantee the effectiveness of its use in generating higher asset returns. This finding is in line with previous research (Fahrizal & Akbar, 2023) which also found that Firm Size is not always positively correlated with profitability. For example, studies conducted by several researchers show that large companies have high operational complexity and bureaucracy, making them inefficient in managing assets to generate profits. Other research also reinforces that larger sizes are often followed by higher administrative costs, agency costs, and operational burdens, which can reduce the effectiveness of asset management. Additionally, larger companies are not always flexible in facing market changes, unlike smaller companies that are more adaptive. Therefore, the results of this study strengthen the evidence that in the basic materials sector during the 2020–2024 period, Firm Size is not a dominant factor in influencing financial performance as reflected in ROA.

The Green Accounting variable shows the most prominent results in this study, with a coefficient of -0.061, a t-statistic value of -2.457, and a p-value of 0.0163. These results indicate that Green Accounting has a negative and statistically significant effect on Return on Assets at a significance level of 1% ($p < 0.01$). This can be interpreted that the costs arising from the implementation of Green Accounting in the short term have the potential to reduce the profitability of the company, even though in the long term it may provide non-financial benefits such as reputation and business sustainability. Practically, companies that implement Green Accounting (disclosing environmental costs in sustainability reports) have a 6.1 points lower ROA compared to companies that do not implement it, assuming other variables are constant.

CONCLUSIONS

Based on the research results, the following conclusions can be drawn: 1. Sustainability Report Disclosure does not affect Return on Assets, 2. Firm Size does not affect Return on Assets, 3. Green Accounting has a negative effect on Return on Assets.

Theoretical Implications

This research makes a significant contribution to the development of theory in the fields of sustainability accounting and financial performance through several theoretical perspectives. Theoretically, the results of this study provide important contributions to the development of literature on the relationship between Sustainability Report Disclosure, Firm Size, and Green Accounting on financial performance measured by ROA, particularly in the basic materials sector. The finding that Sustainability Report Disclosure and Firm Size do not

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have a significant effect on ROA supports Legitimacy Theory and Stakeholder Theory, which emphasize that disclosure and company size serve more to build social legitimacy and meet stakeholder demands, rather than directly increasing profitability. Meanwhile, the significant negative results in Green Accounting enrich the Signal Theory study by showing that the sustainability signals sent through environmental accounting have not been interpreted by the market as a factor for enhancing short-term profitability. This indicates a theoretical gap between the concept of sustainability and financial realization in the context of emerging markets like Indonesia. Thus, this research can serve as a basis for further testing regarding the role of moderating or mediating variables that can bridge the relationship between sustainability practices and corporate profitability.

Managerial Implications

For managers in the basic material sector companies, this research warns that sustainability strategies do not automatically result in a direct positive impact on asset profitability. The disclosure of a Sustainability Report and the size of the company should not only be done as a formality, but must be integrated with operational strategies to provide financial added value. The finding that Green Accounting has a negative impact on ROA indicates that companies need to balance sustainability costs with asset usage efficiency. This requires management to innovate in reducing the costs of implementing environmental accounting while communicating long-term benefits to investors. In other words, managers must position sustainability practices as a strategic investment that impacts not only social legitimacy but also long-term competitive advantage.

Policy Implications

From a policy perspective, the results of this research have important relevance for regulators, particularly OJK and the government, in promoting sustainable practices in the raw materials sector. The fact that the disclosure of the Sustainability Report has not yet impacted ROA indicates the need for regulation that is not only administrative but also capable of driving the integration of sustainability reporting with core business strategies. In addition, the findings regarding the negative impact of Green Accounting on profitability underscore the need for incentives, such as tax relief or subsidies for environmentally friendly technology, so that companies do not feel burdened in the short term. Regulations can also be directed towards increasing investor literacy regarding the long-term benefits of sustainable practices so that the market is more responsive to corporate sustainability signals. Thus, appropriate policies can create an ecosystem that supports sustainability while maintaining corporate profitability in basic material sector.

Limitations

This research has several methodological and conceptual limitations that need to be considered in interpreting the results and generalizing the findings:

1. First, the limitations of the sources and types of data. This research uses secondary data

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sourced from annual reports and corporate sustainability reports, so the quality and validity of the data heavily depend on the accuracy and completeness of the information presented by each company. There is potential bias in reporting, where companies may tend to report favorable information (self-selection bias) or not report sensitive information completely. Additionally, not all basic material sector companies publish sustainability reports consistently, resulting in a decrease in the sample size from 112 registered companies to only 16 companies that meet the inclusion criteria. This can affect the representativeness of the sample relative to the overall population of basic material sector companies.

2. Second, the limitations of measuring variables. The measurement of independent variables has several limitations that can affect construct validity:
   a. Sustainability Report Disclosure: Measured using a disclosure index based on GRI Standards that focuses on quantitative aspects (the number of disclosed indicators) rather than the quality or substance of the disclosure. This method may not capture differences in information quality, depth of analysis, or the relevance of strategies of the disclosures.
   b. Firm Size: Although using total assets as a commonly accepted proxy, this measurement may not capture other aspects of Firm Size such as market capitalization, number of employees, or geographical scope that may be more relevant in certain contexts.
   c. Green Accounting: Measured using a very simple dummy variable (1 for expressing environmental costs, 0 for not expressing), which cannot capture the complexity, sophistication, or completeness in the implementation of green accounting. This measurement also does not distinguish the quality or quantity of the environmental costs disclosed.
3. Third, the limitation of temporal and sectoral coverage. The research period of 5 years (2020-2024) may not be long enough to capture the long-term impact of sustainability practices on financial performance. Investments and sustainability initiatives often require a longer timeframe to show optimal results. Focusing on the basic materials sector, while providing depth of analysis, limits the generalization of findings to other sectors that may have different operational characteristics, regulatory environments, and stakeholder expectations.

Suggestions

The author has suggestions for future researchers so that this study can serve as a reference for future, better research.

1. Future research is advised to consider other variables that may also affect Return on Assets, such as profitability, liquidity, ownership structure, audit quality, and good corporate governance, to provide a more comprehensive picture of the factors influencing stock market performance.

2. Future researchers may also conduct comparative studies between different sectors, for example comparing the basic materials sector with the energy, manufacturing, or technology sectors, to see whether the impact of the Sustainability Report Disclosure and

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Firm Size, and Green Accounting on Return on Assets is consistent or varies across sectors.

3. The next research is also expected to be able to develop a research model by adding moderating or mediating variables, to deepen the understanding of the mechanisms of the relationship between the main variables. For instance, company characteristics or corporate culture can be tested as mediating or moderating variables that bridge or strengthen the influence of Green Accounting on Return on Assets.

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