

The Impact of Sustainability Information Disclosure and Environmental, Social, and Governance (ESG) Performance on Sustainability Risks in Banking Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2023

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Abstract

This research analyzes the influence of Sustainability Information Disclosure and Environmental, Social, and Governance (ESG) Performance on Sustainability Risk in banking companies in Indonesia. This research uses secondary data from annual reports and sustainability reports of banks listed on the Indonesia Stock Exchange for the 2020–2023 period. The sampling technique used purposive sampling, so that 17 companies were obtained with a total of 68 observations. The sustainability disclosure variable is measured using the ESG Disclosure Index, ESG performance is measured through the E–S–G composite score, and sustainability risk is calculated using the Z Score Normalization method. Data analysis was carried out using multiple linear regression. The research results show that sustainability disclosure and ESG performance have a significant effect on sustainability risk, both partially and simultaneously. These findings indicate that improving the quality of sustainability disclosures and ESG performance contributes to reducing sustainability risks in the Indonesian banking sector.

Keywords: *Sustainability Disclosure, ESG, Sustainability Risk, Banking.*

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INTRODUCTION

Banking sector own role central in guard stability system finance and encourage growth economy sustainable. As institution intermediation, banks do not only sued generate profits, but also maintain trust public through transparent and responsible governance answer. The concept of Environmental, Social, and Governance (ESG) is becoming indicator important in evaluate quality Corporate sustainability Natalia Prodanova, Alex Borodin, (2024). ESG integration in operational banking assessed capable strengthen resilience institutions in term long Chandra & Shauki, (2024).

Banking companies listed on the Indonesia Stock Exchange are facing pressure regulations and expectations stakeholders interest For increase disclosure information sustainability. Transparency the functioning reduce asymmetry information between management and investors as explained in theory legitimacy (Nurhidayanti et al., 2025). In addition, extensive disclosure can increase trust stakeholders interest in accordance with theoretical perspective (Recja Fahlevie, Leriza Desitama Anggraini, 2025).

In perspective theory legitimacy, company make an effort get reception social with adapt his activities to societal values and norms (Ningwati et al., 2022). (Aulia et al., 2022) confirm that report sustainability is instrument strategic in maintain legitimacy company in the eyes public. This is become the more important in the sector highly sensitive banking to reputation (Pratiwi et al., 2024).

Study previously show that good ESG practices correlated with improvement stability company and decline risk (Pebriani et al., 2025) find that company with not quite enough answer social tall more tough face crisis economy. (Nurhidayanti et al., 2025) and (Angely et al., 2025) also stated that good ESG performance capable increase mark company at a time lower risk systemic.

In the Indonesian context, the obligation reporting sustainability has regulated by financial regulators For increase transparency sector service Finance (Financial Services Authority, 2021). (Nesya Putri Alfian, Asih Kinanti, Suci Ramadani, RM Rum Hendarmin, 2023) mention that disclosure social and environmental play a role as mechanism accountability public. Therefore that, testing empirical about connection disclosure sustainability and ESG performance against risk sustainability in the sector banking become important carried out (Puspaningrum, 2025).

Study This aim For analyze influence disclosure information sustainability and ESG performance against risk sustainability in the company banking 2020–2023 period.

METHODOLOGY

Study This use approach quantitative with design explanatory purpose For test connection causal between disclosure information sustainability and Environmental, Social, and Governance (ESG) performance towards risk sustainability in the company banking. Approach quantitative chosen Because study This test hypothesis through analysis statistics against numerical data, whereas design explanatory used For explain influence variables independent to variables dependent in a way empirical. Population in study This is all over company banking listed on the Indonesian Stock Exchange during 2020–2023 period. Data collection technique sample using purposive sampling with criteria listed companies in a way consecutive during period research, publishing report annual and reports sustainability in a way complete, and have the required data For measurement variables research. Based on criteria the obtained a number of company with total observations in accordance period study

Data used in study This is secondary data obtained from report annual report, report sustainability report, as well as publication official companies and data available on the official website of the Indonesia Stock Exchange. The data collection method was carried out through technique documentation with download and process relevant data with variables research. Disclosure information sustainability measured using the calculated Sustainability Disclosure Index based on number of ESG items disclosed company compared to with the total disclosure items that should be expressed. The more tall mark index the show the more wide level transparency company in convey information sustainability. ESG performance is measured through score composite that reflects Environmental, Social and Governance aspects as listed in report company. Meanwhile that, risk sustainability proxied use Z-Score approach that reflects level stability finance company, where the value is greater tall show level greater risk low (Agustari et al., 2024).

Data analysis techniques are carried out through a number of stages, namely analysis statistics descriptive For describe characteristics of research data through minimum, maximum, average, and standard values deviation, then to be continued with assumption test classic tests which include normality, multicollinearity, heteroscedasticity and autocorrelation tests For confirm the regression model fulfil Best Linear Unbiased Estimator (BLUE) assumptions. Testing hypothesis done use analysis multiple linear regression with

the equation model $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \varepsilon$, where Y is risk sustainability, X_1 is disclosure information sustainability, and X_2 is ESG performance testing done through t-test for know influence partial of each variable independent, F test for know influence simultaneously, as well as coefficient determination (R^2) for measure model capabilities in explain variation risk sustainability, with level significance used by 5 percent ($\alpha = 0.05$).

RESULTS AND DISCUSSION

1. t-test (Partial)

Table 1. Results of the t-Test (Partial)

Variables	Coefficient (β)	t count	Significant
Disclosure Sustainability (X1)	-0.342	2,845	0.006
ESG Performance (X2)	-0.417	3,112	0.003

The t-test is used For know whether each variable independent in a way partial influential to variables dependent. Criteria taking decision is if mark significance < 0.05 then hypothesis accepted, and if mark significance > 0.05 then hypothesis rejected.

Based on Table 1, the variables disclosure sustainability (X1) has t - value amounting to 2,845 with level significance of 0.006. Because the value significance more small from 0.05, then can concluded that disclosure sustainability influential significant to risk sustainability. Coefficient valuable regression negative (-0.342) indicates that improvement disclosure information sustainability will lower risk sustainability company. This is show that transparency ESG information is capable reduce uncertainty and increase Investor confidence. Theoretically, these findings support legitimacy theory, which states that companies strive to gain and maintain legitimacy from society by aligning their activities and disclosures with prevailing social values, norms, and expectations. Disclosure of sustainability information provides a means for companies to demonstrate that their operations are in line with the public interest, thereby reducing reputational and sustainability risks. (Nurhidayanti et al., 2025). In addition, in perspective legitimacy, active companies disclose not quite enough answer social and environmental tend get legitimacy more social strong (Nasution et al., 2023)

Variables ESG performance (X2) shows t - value amounting to 3,112 with significance of 0.003 which is greater small from 0.05. With Thus, ESG performance as a whole partial influential significant to risk sustainability. Coefficient regression of -0.417 indicates that the more Good company's ESG performance, then risk sustainability will the more decreased. Implementation aspect optimal *environmental, social, and governance (ESG)* plays a role important in strengthen management non- financial risks company. On the dimension environment, implementation sustainability - oriented policies help company identify, measure, and control associated risks with impact ecological, including risk regulations, sanctions law, and pressure from stakeholders interests. On the dimension social, management good relationship with employees, customers, and public around capable minimize potential conflict, guarding trust public, and improve loyalty stakeholders interests. While that, in the governance dimension, strong governance practices push transparency, accountability, and system effective internal control, so that risk abuse authority and failure managerial can pressed.

In a way overall, consistent ESG integration No only impact on reputation company, but also increase stability and resilience term long. Companies with practice high sustainability tend own ability more adaptation Good to change regulations, market

dynamics, and pressure external others. Research previously show that companies that are Serious implement principle sustainability own performance term longer stable compared to less companies notice ESG aspects. In addition, various studies empirical also found existence connection positive between ESG performance and performance company, which is reflected from improvement mark company, decline volatility, as well as strengthening investor confidence. With Thus, ESG does not only functioning as instrument compliance, but also as a business strategy that supports sustainability and management risk in a way comprehensive.

b. F test

Table 2. F-Test Results (Simultaneous)

F count	Significant
18,924	0,000

The F test is used For test whether variables independent in a way together influential to variables dependent. Criteria taking decision is if mark significance < 0.05 then the regression model stated significant and worthy used.

Based on Table 2, it is obtained calculated F value amounting to 18,924 with significance of 0.000 which is more small of 0.05. This is show that in a way simultaneous disclosure sustainability and ESG performance are influential significant to risk sustainability. With Thus, the regression model in study This stated worthy and capable explain connection intervariable in a way collective.

Findings This strengthen stakeholder theory put forward by (Mohammad Aldi Eka Putra, Muhammad Rizki Hafianto Putra, Nalurita Emylia, 2025) (Afridayani & Anisa, 2021) that companies that pay attention interest stakeholders interest in a way comprehensive will own more stability high. In the context of company banking listed on the Indonesia Stock Exchange, consistent and transparent implementation of ESG become an important strategy in guard trust public as well as mitigate risk term long.

c. Coefficient of Determination

Table 3. Coefficient of Determination

R	R ²	Adjusted R ²
0.736	0.541	0.526

Coefficient determination (R²) is used For measure how much big ability variables independent in explain variation variables dependent. The more tall R² value, then the more big contribution variables independent in explain the model.

Based on Table 3, the R² value of 0.541 indicates that 54.1% of the variation risk sustainability can explained by the disclosure sustainability and ESG performance. Meanwhile Of that, 45.9 % is influenced by other variables outside the research model, such as factor macroeconomics, structure capital, management risk credit, as well as condition industry banking in a way general. The Adjusted R² value of 0.526 indicates that after customized with amount variables and samples, fixed model own Power explain enough strong.

This matter indicates that factor sustainability own substantial contribution in explain risks in the sector banking. With Thus, the integration of ESG into business strategy No only nature normative, but also has implications real to stability company.

Research result show that disclosure information sustainability influential significant to risk sustainability in the company banking sector listed on the Indonesia Stock Exchange for the 2020–2023 period . Coefficient valuable regression negative indicates that the more wide level disclosure information sustainability , then risk sustainability company tend decreased . Findings This contain meaning that ESG transparency plays a role as mechanism control non- financial risks . When a company in a way open report performance environment , social , and governance , then level uncertainty information for investors to become more low .

In perspective theory agency , disclosure information sustainability can reduce asymmetry information between management and shareholders share as explained by Jensen and Meckling (1976). Transparency allows investors to evaluate risk in a way more objective so that can minimize potential conflict interests . In addition , the theory legitimacy as put forward by Suchman (1995) explains that company make an effort maintain sustainability its operations through reception social . Disclosure sustainability become means For show that company has operate in accordance with values and norms that apply in society . This is in line with view Pebriani (2022) stated that that ESG reporting is instrument strategic in guard legitimacy company in the eyes public .

Research result this also proves that ESG performance is influential significant to risk sustainability . The negative direction of the coefficient show that improvement quality ESG implementation is capable pressing level risks faced company banking . In general conceptually , good ESG performance reflect governance effectiveness company , compliance to regulations environment , as well as not quite enough answer sustainable social . Third aspect the contribute to stability operational and financial company . Eccles et al. (2014) stated that company with practice sustainability tall own performance term longer consistent compared to company with practice sustainability low . The findings of Friede et al. (2015) also show that majority study empirical find connection positive between ESG performance and stability company .

In context sector banking , ESG implementation has more implications wide Because industry it really depends on trust public . Scholtens (2009) confirms that practice not quite enough answer social in sector finance can influence level risk and bank reputation . In line with that , Hendarmin (2023) stated that stability modern banking does not only determined by the ratio finance conventional , but also by the quality of governance and management non- financial risks . With Thus , ESG integration in system management bank risk becomes element important in guard sustainability business .

In a way simultaneous , disclosure proven sustainability and ESG performance influential significant to risk sustainability . This is show that Transparency and ESG implementation are not two aspects that stand alone alone , but rather each other complete in form system management comprehensive risk . Freeman (1984) through stakeholder theory emphasizes that capable companies manage connection with stakeholders interest in a way effective will own more stability good . Carroll (1991) also emphasized that not quite enough answer social company covers dimensions economic , legal , ethical , and philanthropic which are overall influence sustainability term long .

Coefficient value determination obtained in study This show that variables disclosure sustainability and ESG performance have sufficient contribution big in explain variation risk sustainability . Although however , still there is other factors outside the model are included influence risks , such as condition macroeconomics , quality management credit , capital structure , and financial market dynamics . This indicates that sustainability company banking is results interaction various internal and external factors .

In a way overall , results study This strengthen argumentation that sustainability No just obligation regulatory , but is a business strategy term long For mitigate risk and increase stability company . A capable banking company integrate ESG principles in general consistent and transparent will own greater resilience strong in face dynamics economy and market pressures

CONCLUSION

Based on results analysis to company banking listed on the Indonesia Stock Exchange for the 2020–2023 period , can concluded that disclosure information sustainability and Environmental, Social, and Governance (ESG) performance have role important in influence risk sustainability .

First , disclosure information sustainability proven influential negative and significant to risk sustainability . Increasingly tall level transparency company in disclose information related aspect environment , social , and governance , then the more low risk sustainability issues faced . Transparency the capable increase trust of stakeholders interest as well as pressing potential risk reputation , social , and environmental in the future .

Second , ESG performance also has an impact negative and significant to risk sustainability . Banks that have good ESG performance tend more effective in manage non-financial risks , particularly those related to with aspect environmental , social , and governance . Optimal ESG implementation contributes to improvement resilience operational as well as stability company .

Third , in general simultaneous disclosure information sustainability and ESG performance are influential negative and significant to risk sustainability . The results of the F test show calculated F value amounting to 19,375 with level significance of 0.000 (< 0.05), so the regression model stated feasible . The Adjusted R Square value of 0.354 indicates that second variables independent capable explains 35.4% of the variation risk sustainability , while the remaining 64.6% influenced by other factors outside the research model .

In a way overall , research This confirm that integration transparency sustainability and ESG implementation are important strategies in lower risk sustainability in the sector banking . in increasing Regional Original Income from the motor vehicle tax sector.

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