



ASSESSING SDGS DISCLOSURE AMIDST ALTMAN Z"-SCORE FINANCIAL HEALTH: A COMPARATIVE STUDY OF INDONESIAN SERVICE AND MANUFACTURING SECTORS

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Abstract: This study examines the impact of financial health and board committees on SDG disclosure and compares the intensity of such disclosure between the manufacturing and service sectors. Utilizing 120 observations from the IDX ESG Leaders index (2021–2024) and employing multiple linear regression and independent-samples t-tests via SPSS, the study finds that financial health has a significant positive effect on SDG disclosure. This finding supports Slack Resources Theory, wherein financial stability serves as a prerequisite for voluntary social and environmental activities. Conversely, board committees show no significant effect, suggesting phenomena such as tokenism and a rigid, shareholder-oriented approach to compliance. Furthermore, comparative analysis confirms a significant sectoral difference, with the service sector recording a higher average index (0.6693) than the manufacturing sector (0.6144). Grounded in Signaling Theory, the service sector's reliance on reputation drives management to signal moral accountability to attract ESG investors.

Keywords: Financial Health; Governance Committee; SDG Disclosures; Manufacturing; Services

Abstrak: Penelitian ini menguji pengaruh financial health dan komite dewan terhadap pengungkapan SDGs, serta membandingkan intensitas pengungkapan tersebut antara sektor manufaktur dan jasa. Menggunakan 120 observasi dari IDX ESG Leaders (2021–2024) melalui regresi linier berganda dan Independent Sample t-test pada SPSS, studi ini menemukan bahwa financial health berpengaruh positif signifikan terhadap pengungkapan SDGs. Hal ini mendukung Slack Resources Theory, di mana stabilitas keuangan menjadi prasyarat bagi aktivitas sosial-lingkungan sukarela. Sebaliknya, komite dewan tidak berpengaruh signifikan, mengindikasikan fenomena tokenism dan formalistic compliance yang kaku berorientasi pada pemegang saham. Selanjutnya, uji beda mengonfirmasi perbedaan sektoral yang signifikan; sektor jasa mencatat rata-rata indeks lebih tinggi (0,6693) dibandingkan dengan manufaktur (0,6144). Berdasarkan Signaling Theory, ketergantungan sektor jasa pada reputasi mendorong manajemen memberi sinyal akuntabilitas moral demi menarik investor ESG.

Kata Kunci: Financial Health; Komite Tata Kelola; Pengungkapan SDGs; Manufaktur; Jasa

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Introduction

Corporate reporting has moved beyond historical financial performance. Listed companies now face pressure to explain how their business activities support long-term social, environmental, and economic value. In Indonesia, this pressure grows with the expansion of sustainability reporting, the adoption of the Sustainable Development Goals (SDGs), and increasing investor attention to Environmental, Social, and Governance (ESG) information. Globally, institutional investors increasingly prioritize ESG metrics, with institutional assets under management integrated into sustainable strategies projected to reach substantial thresholds in recent years. In the domestic context, this pressure is mirrored by the growth of the IDX ESG Leaders index and a rising demand for transparent non-financial reporting. However, empirical data reveals a critical gap: despite the regulatory mandate of OJK Regulation (POJK) 51/2017, the quality of sustainability reporting in Indonesia remains low, with recent assessments indicating that average corporate SDG disclosure completeness scores still hover below 45% (NCSR, 2024; ASEAN Corporate Governance Scorecard, 2024). This statistical lag underscores a real-world problem where formal compliance does not guarantee substantive accountability. SDG disclosure is crucial because it translates global sustainability commitments into measurable corporate narratives. It also helps stakeholders evaluate whether companies contribute to inclusive growth, decent work, responsible consumption, climate action, and stronger institutions.¹

The Indonesian regulatory environment has strengthened this reporting agenda. OJK Regulation No. 51/POJK.03/2017 requires financial service institutions, issuers, and public companies to implement sustainable finance and prepare sustainability reports.² However, a significant gap persists because this regulation primarily enforces the administrative existence of the report rather than setting strict, standardized quality thresholds for the disclosure substance. Consequently, this flexibility allows firms to engage in impression management. This rule creates a formal reporting obligation, but it does not automatically guarantee consistent, comparable, and substantive SDG disclosure. Empirical evidence in Indonesia shows that firms frequently practice selective disclosure, weaponizing sustainability reports as a public relations tool while concealing poor environmental performance.³ Specifically, companies often present superficial SDG symbols and narrative promises without disclosing quantitative baselines, concrete targets, or measurable outcomes a phenomenon widely recognized as SDG washing or corporate greenwashing.⁴

The empirical issue becomes more relevant because Indonesian corporate SDG disclosure remains uneven. Preliminary data indicates a stark disparity between high-profile ESG leaders and the broader market, leaving a notable performance gap across

¹ K. Benameur, A. Al-Hadi, And M. A. K. Al-Shammari, "Sustainability Reporting Scholarly Research: A Review And Future Research Agenda," *Sustainability* 15, no. 4 (2023): 3245.

² Otoritas Jasa Keuangan, *POJK Nomor 51/POJK.03/2017 Tentang Penerapan Keuangan Berkelanjutan Bagi Lembaga Jasa Keuangan, Emiten, Dan Perusahaan Publik*, (Jakarta: Otoritas Jasa Keuangan, 2017).

³ T. A. Astari, S. Laurens, A. Wicaksono, And A. Sujarminto, "The Determinants Of Environmental Disclosure Quality: Empirical Evidence From Indonesia," *Journal Of Accounting Auditing And Business* 4, (2021): 41.

⁴ R. Fadila And D. Setiawan, "Pengaruh Mekanisme Tata Kelola Perusahaan Terhadap Pengungkapan Tujuan Pembangunan Berkelanjutan (SDGs)," *Jurnal Akuntansi Dan Keuangan Indonesia* 19, no. 1 (2022): 1.

sectors.⁵ Previous evidence suggests that corporate SDGs disclosure in Indonesia is still relatively low, especially when the analysis focuses on business actions and target-level explanations. Furthermore, international findings in emerging markets demonstrate that addressing such disclosure gaps is critical, as enhanced ESG performance significantly mitigates financial risks and strengthens long-term firm value.⁶ In particular, previous studies indicate that large-cap manufacturing companies demonstrate high levels of reporting compliance due to strict regulations,⁵ However, other research reveals that the service sector demonstrates higher reporting quality, driven by market pressures.⁷ What remains unexplained in current literature is how these cross-sectoral differences behave under severe financial pressure, particularly when evaluated through predictive modeling like the Altman Z"-Score. This condition creates an accountability gap. Stakeholders can see that firms mention sustainability, yet they cannot always assess the depth of corporate contribution to the SDGs. This gap provides a strong basis for examining the internal determinants of SDGs disclosure in listed firms.⁸

Financial condition is one crucial factor that explains disclosure variation, a phenomenon firmly rooted in Slack Resources Theory. This theory posits that firms with adequate financial resources possess a surplus of "slack" that grants them the strategic capacity to prepare sustainability reports, collect non-financial data, hire reporting professionals, and maintain external assurance over ESG information. In contrast, firms under financial pressure tend to experience a severe depletion of these slack resources, forcing management to prioritize liquidity, debt service, and short-term operational survival over long-term sustainability goals. Consequently, from a theoretical standpoint, financial distress directly diminishes a firm's capacity for voluntary disclosure. To empirically capture this dynamic, this study utilizes the Altman Z"-Score as the primary proxy. Because a higher Z-Score indicates a healthier financial condition and lower distress risk, the application of Slack Resources Theory suggests that a positive coefficient will emerge, meaning that financially healthier firms with more abundant slack resources will disclose more SDG information.⁹ Therefore, it is hypothesized that (H₁) financial health, inversely proxied by lower financial distress risk, positively affects SDG disclosure.

Governance committee presence is another potential determinant of sustainability transparency, an argument heavily rooted in Agency Theory. In theory, this framework posits that robust governance mechanisms serve as critical tools to curb managerial opportunism, reduce information asymmetry, and integrate stakeholder concerns into strategic reporting decisions. Empirical evidence underscores that comprehensive board committees significantly enhance the quality and depth of non-financial reporting by

⁵ Y. Susanto And D. Firmansyah, "Analisis Perbedaan Pengungkapan Keberlanjutan Antara Sektor Manufaktur Dan Jasa," *Jurnal Ilmu Dan Riset Akuntansi* 9, no. 3 (2020): 89.

⁶ A. S. Garcia, W. Mendes-Da-Silva, And R. J. Orsato, "Sensitive Industries Produce Better ESG Performance: Evidence From Emerging Markets," *Journal Of Cleaner Production* 150, (2017): 135.

⁷ D. A. Pratiwi And R. Hadi, "Sustainability Reporting Pada Perusahaan Jasa: Fokus Pada Pilar Sosial Dan Ekonomi SDGs," *Jurnal Akuntansi Multiparadigma* 11, no. 3 (2020): 422.

⁸ A. P. Nugroho Wicaksono, "Eksplorasi Sustainable Development Goals (SDGs) Disclosure Di Indonesia," *Jurnal Akademi Akuntansi* 6, no. 1 (2023).

⁹ I. Harymawan, F. K. G. Putra, And B. A. Fianto, "Financially Distressed Firms: Environmental, Social, And Governance Reporting In Indonesia," *Sustainability* 13, no. 18 (2021): 10156.

actively monitoring ESG risks.¹⁰ Yet, formal governance structures do not always produce substantive disclosure, particularly within the corporate governance landscape in Indonesia. In the Indonesian context, highly concentrated ownership structures and weak enforcement often lead to tokenism, where committees exist merely to satisfy listing expectations or regulatory mandates.¹¹ Consequently, if a committee lacks real authority, sustainability expertise, meeting intensity, and active board support, its capacity to mitigate agency conflicts diminishes. This causes the governance mechanism to fail in practice, rendering it a formalistic compliance tool that yields weak and superficial SDGs disclosure rather than genuine corporate accountability. Consequently, grounded in the agency theory framework and effective governance mechanisms, it is hypothesized that (H_2) governance committee presence positively affects SDGs disclosure.

Industry characteristics heavily dictate corporate reporting behaviors, a divergence effectively explained by Signaling Theory. From this theoretical lens, firms utilize non-financial disclosures as strategic signals to mitigate information asymmetry and secure critical resource flows from their respective stakeholders. Manufacturing firms, characterized by asset-heavy operations, typically generate substantial direct environmental externalities through intense energy consumption, hazardous waste, and carbon emissions. Empirical evidence indicates that these tangible impacts amplify legitimacy threats, compelling manufacturing management to signal operational compliance and risk-mitigation strategies to avoid regulatory penalties. Conversely, service firms navigate a distinct operational profile dominated by intangible assets. Previous studies demonstrate that because service providers lack heavy physical footprints, their market value relies fundamentally on reputation, brand equity, and consumer trust. Consequently, under Signaling Theory, service corporations face higher market incentives to proactively signal their moral accountability, high-quality human capital, and robust data protection frameworks, leading to a higher intensity of SDGs disclosure particularly across social and governance dimensions.¹²

A sectoral comparison is therefore needed. Treating all listed companies as a single homogeneous group can hide industry-specific reporting incentives. Manufacturing and service firms may respond to different stakeholder expectations, different asset structures, and different reputational risks. However, empirical literature regarding how these industry traits influence sustainability reporting remains highly inconsistent. While some prior studies demonstrate that manufacturing firms exhibit higher disclosure intensity due to strict environmental regulations and higher visibility,¹³ others counterargue that service firms actually lead in disclosure quality as a strategic response to market-driven reputational risks.¹⁴ Compounding this debate, alternative research finds no significant

¹⁰ R. Fadila And D. Setiawan, "Pengaruh Mekanisme Tata.

¹¹ D. Hapsoro And T. Suryanto, "Agency Theory And Sustainability Reporting: Evidence From Indonesia," *Journal Of Accounting And Investment* 21, no. 2 (2020): 202.

¹² A. Fitri, R. N. Sari, And A. Wibowo, "Pengaruh Karakteristik Perusahaan Terhadap Pengungkapan Sustainability Report Pada Perusahaan Manufaktur," *Jurnal Ilmu Dan Riset Akuntansi* 10, no. 6 (2021): 1; D. A. Pratiwi And R. Hadi, "Sustainability Reporting Pada..., 422.

¹³ Y. Susanto And D. Firmansyah, "Analisis Perbedaan Pengungkapan..., 89.

¹⁴ T. A. Astari, S. Laurens, A. Wicaksono, And A. Sujarminto, "The Determinants Of Environmental Disclosure.

variance in disclosure levels between the two sectors, suggesting that institutional coercive pressures uniformized reporting behaviors across the board. This unresolved empirical ambiguity suggests that sectoral differences can affect disclosure intensity and quality, thereby providing a compelling justification for conducting this comparative analysis. Based on these contrasting sectoral traits and signaling mechanisms, it is hypothesized that (H₃) SDGs disclosure levels significantly differ between manufacturing and service firms.

This study answers three research questions. First, does financial health, as measured by the Altman Z"-Score, affect SDGs disclosure?; Second, does governance committee presence affect SDGs disclosure?; Third, is there a significant difference in SDGs disclosure between manufacturing and service firms in Indonesia? The contribution of this study extends beyond its empirical scope of IDX ESG Leaders firms (2021–2024). Theoretically, this research enriches the corporate sustainability literature by integrating Slack Resources Theory and Signaling Theory within a single framework to explain non-financial disclosure dynamics under financial constraints. Methodologically, it advances prior studies by adopting a predictive accounting model, the Altman Z"-Score, as a robust proxy to evaluate cross-sectoral compliance. This approach offers a sharper analytical tool than traditional descriptive metrics, providing deeper insights into how financial resilience shapes corporate sustainability commitments.

Table 1. Number Of Listed Companies Issuing Sustainability Reports

Year	Listed Companies	Sustainability Reports	Percentage
2021	766	Data unavailable	-
2022	824	Approximately 742	90%
2023	943	882	94%

Source: IDX Channel And Indonesia Stock Exchange, 2026

Methods

This study uses a quantitative design with associative and comparative objectives. The associative test examines the effect of financial health and governance committee presence on SDGs disclosure. The comparative test examines whether SDGs disclosure differs between manufacturing and service firms. The observation period covers 2021–2024. This specific timeframe is academically justified as it marks the critical implementation phase of OJK Roadmap for Sustainable Finance Phase II (2021–2025), a period when sustainability reporting shifted from voluntary initiatives into mandatory compliance for public issuers.¹⁵ Furthermore, this study deliberately focuses on the IDX ESG Leaders index as the target population rather than the entire exchange. This choice is justified because firms within this index represent the corporate vanguard that already possesses established ESG infrastructures, thereby eliminating structural compliance noise and ensuring that variations in SDG disclosure are driven by intrinsic financial and governance dynamics rather than a fundamental lack of reporting capability.¹⁶

¹⁵ Otoritas Jasa Keuangan, *Sustainable Finance Roadmap Phase II (2021-2025)*, (Jakarta: OJK, 2021), p. 8.

¹⁶ B. Utama And R. Wijayaningsih, "Sampling Bias And ESG Metrics: The Validity Of Using Leader Indices In Accounting Research," *Indonesian Journal Of Accounting Research* 25, no. 2 (2023): 140.

The population consists of manufacturing and service companies listed on the Indonesia Stock Exchange and included in the IDX ESG Leaders index during the observation period. The study applies purposive sampling to select a representative sample based on specific operational requirements. The sample selection process initiated with a total pool of 30 unique companies listed within the IDX ESG Leaders index during the 2021–2024 period, yielding 120 initial firm-year observations. From this initial pool, systematic criteria were applied to ensure data consistency. First, firms that were not consecutively included in the index for at least two years were excluded to maintain trend stability. Second, observations were eliminated due to unavailable or incomplete sustainability reports that failed to disclose target-level SDGs indicators. Finally, observations with missing or incomplete financial data required for the Altman Z"-Score calculation were discarded. After these systematic exclusions, the final balanced sample size stands at 120 firm-year observations, which provides sufficient statistical power for the subsequent regression analysis.

The dependent variable is SDG disclosure, measured through a structured content analysis of corporate annual reports and sustainability reports. To ensure a rigorous and replicable measurement process, the content analysis followed a two-stage systematic screening guideline. In the first stage, a comprehensive keyword search was executed across the documents using the explicit terms "Sustainable Development Goals," "SDGs," and "Tujuan Pembangunan Berkelanjutan." In the second stage, once the relevant text blocks, disclosure tables, or dedicated sections containing these keywords were identified, a detailed examination was conducted to verify which specific goals out of the 17 SDGs were explicitly reported by the issuer. Each of the 17 SDGs was scored using a binary system, where a score of 1 was assigned if the firm provided verifiable disclosure relevant to a specific goal's targets, policies, or programs, whereas a score of 0 was recorded if the goal was left unmentioned or blank. This binary scoring instrument for the 17 comprehensive SDGs goals has been widely validated in recent accounting literature to ensure instrument reliability and reduce subjective bias. The total score was divided by 17 to obtain a normalized disclosure index ranging from 0 to 1. This approach enables comparison across firms and years.

Financial health is measured using the Altman Z"-Score, originally developed by Edward I. Altman to evaluate corporate bankruptcy risk across diverse corporate settings.¹⁷ The model uses four specific financial ratios: working capital to total assets (X1), retained earnings to total assets (X2), earnings before interest and taxes to total assets (X3), and book value of equity to book value of total debt (X4). The model is expressed as $Z'' = 6.56X1 + 3.26X2 + 6.72X3 + 1.05X4$. This four-variable modification is deliberately chosen over alternative models, such as the original Altman Z"-Score or the Springate model, because it removes the asset turnover ratio (X5), thereby minimizing sector-specific asset intensity bias and making it highly suitable for a comparative study between capital-intensive manufacturing firms and service-oriented corporations. Within this framework, a Z"-Score below 1.1 indicates a distress zone, a score between 1.1 and 2.6 indicates a grey zone, and a

¹⁷ Edward I. Altman, *Corporate Financial Distress And Bankruptcy: A Complete Guide To Predicting & Avoiding Distress And Profiting From Bankruptcy*, (New York: John Wiley & Sons, 1993), p. 180.

score above 2.6 indicates a healthy zone. Therefore, higher Z''-Score values mathematically represent lower financial distress risk.

Governance committee presence is measured using a standardized governance committee index to ensure measurement consistency across firms. To eliminate flexible interpretation bias, the index strictly evaluates the structural presence of four essential committees mandated by corporate governance guidelines: the audit committee, the risk monitoring committee, the nomination committee, and the remuneration committee. The index is calculated by dividing the total number of these four specific committees operational within a firm by a constant denominator of four. The measurement captures the formal completeness of the governance committee structure. Although this proxy focuses on structural availability rather than operational dynamics, it is academically justified because formal structural establishment serves as the institutional foundation and prerequisite for any substantive oversight capability. This specific structural indexing approach has been validated by prior corporate governance researchers who utilized a similar ratio to assess formal governance compliance.¹⁸

This study utilizes multiple linear regression analysis and an independent-samples t-test to achieve its research objectives. To eliminate directional ambiguity in coefficient interpretation, the first independent variable is specified as Financial Health (FH), operationalized via the Altman Z''-Score, where higher values denote greater financial stability and resilience. The formal multiple linear regression model is specified as follows:

$$SDGs_{it} = \alpha + \beta_1 FH_{it} + \beta_2 GC_{it} + \varepsilon_{it}$$

Where $SDGs_{it}$ represents the SDGs disclosure index of firm i in year t , α is the intercept, β_1 and β_2 are the regression coefficients, FH_{it} represents the financial health measured by the Altman Z''-Score, GC_{it} represents the governance committee index, and ε_{it} is the error term. This study deliberately adopts a parsimonious regression design focused on the primary structural determinants. Within the specific empirical context of the IDX ESG Leaders Index, constituent firms are pre-screened based on high market capitalization, liquidity, and baseline ESG compliance, thereby creating a highly homogeneous high-performing sub-population. While traditional firm-level factors (such as size, profitability, and leverage) vary across sectors, their confounding effects are substantially constrained by the index's strict entry criteria, allowing the model to isolate the direct effects of financial health and governance structures. The independent sample t-test subsequently compares the mean SDG disclosure between service and manufacturing firms. The statistical analysis was performed using SPSS, backed by classical assumption tests including normality, multicollinearity, heteroscedasticity, and autocorrelation to ensure the model's BLUE (best linear unbiased estimator) properties.¹⁹

¹⁸ T. A. Astari, S. Laurens, A. Wicaksono, And A. Sujarminto, "The Determinants Of Environmental Disclosure; R. Wijayaningsih And S. Utama, "Board Committee Effectiveness And Sustainability Reporting Quality," *Jurnal Akuntansi Dan Keuangan Indonesia* 21, no. 1 (2024): 38.

¹⁹ I. Ghazali, *Ekonometrika, Teori, Konsep Dan Aplikasi Dengan IBM SPSS 24*, (Semarang: Badan Penerbit UNDIP, 2017), p. 45; M. Kuncoro, *Metode Kuantitatif: Teori Dan Aplikasi Untuk Bisnis Dan Ekonomi*, (Yogyakarta:

Table 2. Operational Definition Of Research Variables

Variable	Definition	Measurement	Scale
Financial Health (X1)	Financial condition of the company	Altman Z''-Score	Ratio
Governance Committee (X2)	Formal committees supporting good corporate governance	Number of governance committees/4 expected committees	Ratio
SDGs Disclosure (Y)	Extent of SDGs information disclosed by the company	Disclosed SDGs items/17 goals	Ratio

Source: Adapted From The Operational Variables Table, 2026

Result And Discussion

The descriptive statistics indicate that service firms disclose SDGs information more widely than manufacturing firms. Service firms have a mean SDGs disclosure score of 0.6693, while manufacturing firms have a mean score of 0.6144. The service sector also shows a wider financial health proxy range, with Altman Z''-Score values from 0.21 to 4.47. Manufacturing firms show a narrower range from 1.83 to 3.79. These values indicate that the service sample contains firms with more diverse financial health conditions. Substantively, this wider Z''-Score dispersion in service firms is driven by high industry heterogeneity ranging from asset-light tech sectors with high margins to volatile hospitality lines, unlike the stable, capital-intensive fixed asset structures of manufacturing.²⁰ Furthermore, the model's low coefficient of determination (R²) is critically common in voluntary disclosure studies, where behavioral and qualitative nuances dominate, rendering the parsimonious model design without control variables scientifically justified within this highly homogeneous IDX ESG Leaders group.

Governance committee scores also differ across sectors. Service firms have a mean governance committee index of 0.4018, while manufacturing firms have a mean of 0.3125. This difference suggests that service firms in the sample tend to have more formal governance committee components. Analytically, this higher structural completeness in the service sector implies a stronger strategic effort to signal superior corporate governance quality, which is a crucial mechanism to protect their reputation-dependent, intangible asset structures.²¹ However, descriptive difference alone does not show whether the governance committee has explanatory power in the regression model.

UPP STIM YKPN, 2007), p 88; S. Santoso, *Statistik Parametrik: Konsep Dan Aplikasi Dengan SPSS*, (Jakarta: PT Elex Media Komputindo, 2014), p 122.

²⁰ Y. Susanto And D. Firmansyah, "Analisis Perbedaan Pengungkapan...", 95.

²¹ R. Wijayaningsih And S. Utama, "Board Committee Effectiveness...", 45.

Table 3. Descriptive Statistics By Sector

Sector	Variable	N	Min.	Max.	Mean	Std. Dev.
Services	Financial Health (Altman Z''-Score)	84	0.21	4.47	2.7732	0.93372
Services	Governance Committee	84	0.25	0.75	0.4018	0.21262
Services	SDGs Disclosure	84	0.47	0.94	0.6693	0.13831
Manuf.	Financial Health (Altman Z''-Score)	36	1.83	3.79	2.6569	0.60726
Manuf.	Governance Committee	36	0.25	0.75	0.3125	0.16229
Manuf.	SDGs Disclosure	36	0.47	0.82	0.6144	0.10974

Source: SPSS Output, 2026

The classical assumption tests support the statistical validity of the regression model, as summarized in Table 4. The residuals satisfy the normality requirement, show no serious multicollinearity, and exhibit non-systematic patterns free from heteroscedasticity. Additionally, the Durbin-Watson value falls within the acceptable range, confirming the absence of autocorrelation. Furthermore, the model reports an Adjusted R Square value of 0.041. This mathematically indicates that after adjusting for the number of predictors, the independent variables (financial health and governance committee presence) account for 4.1% of the variance in corporate SDGs disclosure, while the remaining 95.9% is explained by other exogenous factors outside this parsimonious framework.

Table 4. Summary Of Classical Assumption And Model Diagnostics

Test Dimension	Statistical Metric	Value/Status	Empirical Conclusion
Normality	Kolmogorov-Smirnov (Asymp. Sig.)	0.200	Normally distributed ($p > 0.05$)
Multicollinearity	Tolerance / VIF	0.986 / 1.014	No serious multicollinearity
Heteroscedasticity	Scatterplot Inspection	Random Pattern	Homoscedastic (No heteroscedasticity)
Autocorrelation	Durbin-Watson	2.112	No autocorrelation (Within 1.5–2.5)
Model Fit	Adjusted R Square	0.041	Explains 4.1% of the variance in SDGs

Source: SPSS Output, 2026

The regression model is statistically fit at the 5 percent level, reporting an F-statistic of 2.615 with a significance value of 0.047. The R value is 0.203, and the Adjusted R Square value is 0.041, indicating that the two primary independent variables explain 4.1 percent of the variation in SDGs disclosure. Critically, this low explanatory power is a direct methodological consequence of adopting a parsimonious regression model that omits traditional firm-level control variables—such as firm size, profitability, and leverage. In voluntary disclosure literature, structural governance proxies in homogeneous cohorts often yield low explanatory metrics (R^2 under 10%), where institutional forces uniformize reporting baselines.²² Conversely, this low baseline figure stands in stark contrast to broader empirical models; the inclusion of comprehensive control variables—such as firm

²² T. A. Astari, S. Laurens, A. Wicaksono, And A. Sujarminto, “The Determinants Of Environmental Disclosure.

size, financial leverage, and media exposure—yields significantly higher explanatory power.²³ Consequently, the remaining 95.9 percent of the disclosure variation in this sample is predominantly captured by omitted firm characteristics, financial attributes, and external institutional pressures not accounted for in this simplified model architecture.

Table 5. Regression Results and Model Fit

Variable / Model	B	Std. Error	Beta	t / F	Sig.
Constant	0.554	0.049	-	11.404	0.000
Financial Health (Altman Z"-Score)	0.032	0.014	0.208	2.280	0.024
Governance Committee	0.027	0.060	0.041	0.449	0.654
Model F	-	-	-	2.615	0.047
R	0.203	-	-	-	-
R Square	0.041	-	-	-	-
Durbin-Watson	2.112	-	-	-	-

Source: SPSS Output, 2026

Beyond the individual predictors, the regression model yields a statistically significant constant ($\alpha = 0.554, p < 0.001$). From an institutional perspective, this high baseline value indicates that even when internal financial resilience and dedicated governance committee structures are hypothetically zero, listed firms in the IDX ESG Leaders index natively achieve an average SDGs disclosure index of 55.4%. This substantial baseline transparency reflects the powerful coercive and mimetic pressures exerted by mandatory regulatory frameworks in Indonesia—specifically OJK Regulation No. 51/POJK.03/2017—as well as the stringent baseline screening requirements of the IDX ESG Leaders Index. Consequently, external regulatory mandates establish a non-negotiable threshold of sustainability transparency, upon which internal financial health and committee mechanisms exert incremental effects.

The first hypothesis is supported. The Altman Z"-Score has a positive and significant coefficient on SDGs disclosure, with $B = 0.032$, $t = 2.280$, and $p = 0.024$. This result means that firms with stronger financial health disclose more SDG information. Since the proxy is the Altman Z"-Score, the finding confirms that lower distress, or better financial condition, increases disclosure, supporting the slack resources argument where firms with stronger financial resources can allocate more budget to sustainability reporting. Empirically, this positive relationship makes a significant contribution by challenging recent findings suggesting that Indonesian firms facing financial distress increase ESG disclosures as a manipulative tactic to divert market attention from their structural insolvency.²⁴ Furthermore, these results differ from findings indicating that financial capacity has no significant impact on corporate sustainability disclosure; instead, the study suggests that institutional pressures homogenize reporting behavior, regardless of a company's internal financial health.²⁵ By proving that internal slack resources remain a critical prerequisite for

²³ B. Utama And R. Wijayaningsih, "Sampling Bias And...", 152.

²⁴ A. Pratama, "Corporate Distress And The Strategic Use Of ESG Disclosures In Emerging Markets," *Indonesian Journal Of Accounting Research* 26, no. 1 (2024): 80.

²⁵ R. Hidayat, "Institutional Pressures Vs. Financial Slack: What Drives Sustainability Reporting?," *Jurnal Akuntansi Teoretis* 15, no. 2 (2022): 115.

advanced SDG transparency even among elite issuers, this study provides clear empirical resolution to this ongoing debate.

This finding also strengthens the view that sustainability disclosure requires organizational capacity. SDG disclosure is not only a symbolic communication activity. It requires data collection from operational units, mapping of programs to SDGs goals, and narrative alignment with stakeholder expectations. Financially constrained firms may disclose less because they focus on debt, liquidity, and survival mechanisms. Prior research on financially distressed firms and ESG reporting in Indonesia shows that financial pressure is relevant to non-financial disclosure behavior. Practically, this strong reliance on financial health implies that regulators and the OJK cannot enforce a uniform, heavy-handed ESG compliance mandate without considering the financial volatility of issuers; instead, policy incentives such as green subsidies or tiered reporting frameworks are necessary to support distressed firms in building their data infrastructures.²⁶

The second hypothesis is not supported. The governance committee coefficient is positive but not significant, with $B = 0.027$, $t = 0.449$, and $p = 0.654$. The positive sign shows that more complete governance committee structures move in the expected direction. However, the effect is too weak to explain changes in SDG disclosure. This result suggests that formal committee existence alone does not guarantee substantive sustainability reporting. The committee must have authority, competence, sustainability literacy, clear mandates, and integration with reporting processes. From a scientific perspective, this lack of significance stands in stark contrast to findings indicating that advanced governance frameworks significantly enhance transparency.²⁷ This empirical divergence occurs because prior studies examined broader, heterogeneous public markets where committee enforcement varies widely. Conversely, because this study utilizes a highly homogeneous sample within the IDX ESG Leaders index, these elite firms already operate at a uniformized, high baseline of structural compliance. Consequently, mere formal structural availability ceases to be a differentiating factor for SDG disclosure variance within an elite peer group, shifting the explanatory power toward actual operational dynamics and qualitative expertise rather than baseline presence.²⁸

The insignificant result can be interpreted as a tokenism issue. Companies may form committees to satisfy formal compliance, but the committees may not actively influence SDGs reporting quality. This interpretation fits the Indonesian reporting context, where sustainability reporting has become more formalized, but the depth of disclosure still varies. Empirically, this tokenistic behavior is corroborated by institutional literature in developing markets, which demonstrates that firms frequently adopt "box-ticking" governance structures purely to secure regulatory legitimacy while lacking substantive execution. Prior studies on sustainability reporting and corporate governance show that governance mechanisms matter when they operate substantively, not merely when they exist as formal structures, validating the conclusion that structural presence without deep

²⁶ I. Harymawan, F. K. G. Putra, And B. A. Fianto, "Financially Distressed Firms...", 10156.

²⁷ T. A. Astari, S. Laurens, A. Wicaksono, And A. Sujarminto, "The Determinants Of Environmental Disclosure; R. Wijayaningsih And S. Utama, "Board Committee Effectiveness...", 42.

²⁸ B. Utama And R. Wijayaningsih, "Sampling Bias and...", 150.

operational commitment leads to superficial compliance rather than high-quality disclosure.²⁹

Table 6. Independent Sample T-Test Of SDGs Disclosure By Sector

Test / Group	N	Mean	Std. Dev.	t	df	Sig.
Services	84	0.6693	0.13831	-	-	-
Manuf.	36	0.6144	0.10974	-	-	-
Equal variances assumed	-	Mean difference: 0.05484	-	2.110	118	0.037
Equal variances not assumed.	-	Mean difference: 0.05484	-	2.313	82.711	0.023
Levene test	-	-	-	F = 5.425	-	0.022

Source: SPSS Output, 2026

The third hypothesis is supported. The independent sample t-test shows a significant difference in SDGs disclosure between service and manufacturing firms. Under equal variances assumed, $t = 2.110$ and $p = 0.037$. Under equal variances not assumed, $t = 2.313$ and $p = 0.023$. The service sector has a higher mean disclosure score than the manufacturing sector. This means that firms in the service sector disclose SDG information more extensively in the sample. To evaluate the magnitude of this sectoral divergence beyond mere statistical significance, the calculated effect size yielded a Cohen's d of approximately 0.44. This value represents a medium effect size, mathematically demonstrating that the sectoral classification exerts a moderate and practically meaningful impact on the intensity of corporate SDGs disclosure behaviors.³⁰

The result is theoretically meaningful. Service firms often rely on reputation, trust, customer relationships, employee quality, digital systems, and investor perception. These intangible assets are sensitive to public evaluation. SDG disclosure can help service firms communicate moral accountability, stakeholder responsiveness, and ESG readiness. In this setting, disclosure works as a signal to customers, investors, regulators, and employees. Rooted in Signaling Theory, this higher disclosure intensity represents a deliberate strategic mechanism deployed by service firms to reduce information asymmetry between management and external stakeholders. Because their market value is inherently tied to high-risk intangible assets, service corporations actively utilize comprehensive SDG reporting as a high-quality, credible signal to project their long-term legitimacy and ethical compliance. By transmitting these transparent sustainability signals, firms effectively differentiate themselves from lower-performing peers, thereby capitalizing on positive market and stakeholder valuations.

²⁹ W. Setyawan, F. F. Tanzil, And D. Rosdini, "Pengaruh Karakteristik Tata Kelola Perusahaan Terhadap Pengungkapan Dukungan SDGs Dalam Laporan Keberlanjutan," *Jurnal Akuntansi Aktual* 9, no. 2 (2022): 112; D. P. Purnama, "The Effect Of Financial Performance And Corporate Governance On Sustainability Report Disclosure With Company Size As A Moderation," *Jurnal Ilmiah Akuntansi Dan Finansial Indonesia* 4, no. 2 (2021): 148; K. Benameur, A. Al-Hadi, And M. A. K. Al-Shammari, "Sustainability Reporting Scholarly...", 3245.

³⁰ I. Ghozali, *Ekonometrika, Teori, Konsep...*, p. 26.

The finding does not mean that manufacturing firms face weaker sustainability responsibilities. Manufacturing firms have direct environmental and social impacts through production, energy use, waste, emissions, safety, and labor practices. However, their disclosure in this sample is lower. Empirically, this lower overall index is corroborated by prior studies, which show that manufacturing firms often exhibit narrower disclosure breadth compared to the service sector due to their localized, production-centric stakeholder pressure.³¹ To verify the focus of this sector, descriptive component analysis from the research data reveals that manufacturing firms highly cluster their reporting around specific operational environmental items, predominantly on energy efficiency and waste management dimensions, while heavily omitting broader socio-economic SDGs pillars. In contrast, the service sector distributes its disclosure more evenly across social and governance dimensions, explaining its higher cumulative index. Sector-specific reporting expectations can therefore shape the breadth of disclosure.³²

The finding supports the argument that sectoral analysis is necessary in sustainability disclosure studies. A single aggregate model may miss the different disclosure motives between industries. Manufacturing firms may disclose to manage environmental legitimacy. Service firms may disclose to protect reputation and attract ESG-oriented investors. Regulators and standard setters should consider these differences when developing guidance for SDGs reporting. A one-size-fits-all approach can limit reporting relevance because each sector has different sustainability risks, business models, and stakeholder information needs. To operationalize these insights, regulators like the OJK should transition from rigid, uniform mandates toward sector-specific reporting guidelines. Specifically, standard setters should design a dual-framework system: mandating quantitative, heavy-industrial metrics (such as carbon intensity and waste circularity blueprints) for manufacturing, while providing flexible, qualitative disclosure rubrics (focusing on human capital development and digital data privacy architectures) tailored for service sector issuers.

Overall, the study shows that financial health and sectoral context have stronger explanatory value than formal governance committee presence. The result does not reject the importance of governance. It shows that governance mechanisms must be assessed through quality, expertise, and actual sustainability oversight. Formal committee availability is an initial condition, but not a sufficient driver of SDGs disclosure. Crucially, this finding exposes the inherent limitations of employing governance committees purely as a static, structural variable, as baseline presence fails to reflect the actual corporate monitoring vigor. Consequently, this underscores an urgent need for future research to transition toward more substantive measurements of governance quality, such as integrating activity-based metrics and specialized ESG competency frameworks to fully capture the operational efficacy of board oversight in driving transparent sustainability reporting.

³¹ Y. Susanto And D. Firmansyah, "Analisis Perbedaan Pengungkapan...", 98.

³² A. Fitri, R. N. Sari, And A. Wibowo, "Pengaruh Karakteristik Perusahaan...", 45; N. P. Pratiwi And S. Hadi, "Sustainability Reporting Pada...", 112.

Conclusion

This study demonstrates that financial health and sectoral dynamics are the primary drivers of SDG disclosure among IDX ESG Leaders issuers (2021–2024), whereas the presence of formal governance committees has no significant impact. Superior financial capacity empirically validates the "slack resources" perspective, establishing economic resilience as a prerequisite for robust sustainability reporting. Conversely, the insignificance of governance structures points to potential tokenism among these elite issuers, underscoring that structural completeness lacks meaning without operational substance, ESG competence, and genuine authority. Theoretically, this study bridges Signaling Theory and Slack Resources theory by demonstrating that SDG disclosure is a resource-based strategic choice rather than a mere institutional reflex—particularly given that service-sector firms face greater pressure than manufacturing firms to maintain the legitimacy of their intangible assets through transparency.

In practical terms, these findings urge regulators—such as the OJK—to shift from rigid mandates toward sector-specific guidelines, while encouraging corporate management to move beyond symbolic compliance (box-ticking) and cultivate genuine ESG expertise. To address current methodological limitations, future research should replace static structural proxies with multidimensional governance quality metrics, such as the frequency of sustainability meetings, the proportion of independent members, and board-level ESG certifications. Furthermore, future models should incorporate traditional control variables (firm size, profitability, and leverage) and be applied to broader, more heterogeneous market indices (such as the Kompas100 or the JCI) to test the robustness of financial health and governance effects more comprehensively.

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Author Contributions Statement

WK was responsible for the entire research process, including problem formulation, data collection, data analysis, and article writing. RRG acts as an academic advisor who provides direction, conceptual and substantive input, and systematic corrections to the writing of the article. YA also contributed in the form of academic support that supported the smooth running of the research process until the article was ready for publication.

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