



**An-Najah National University
Faculty of Graduate Studies**

CONSEQUENCES OF SUSTAINABLE DEVELOPMENT GOALS DISCLOSURE

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Dedication

﴿وَأٰخِرُ دَعْوَاهُمْ أَنِ الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ﴾ [يونس: 10]

الحمدُ لله الذي بنعمته تتمّ الصالحات

والصلاة والسلامُ على سيدنا محمد، وعلى آله وصحبه أجمعين

أهدي هذا العمل المتواضع

إلى وطني الغالي فلسطين،

أرض الصمود والعطاء،

إلى والديّ الكريمين،

الذين كانا السند والدافع الأول في مسيرتي العلمية،

وبفضلهما بعد توفيق الله وصلتُ إلى ما أنا عليه اليوم،

إلى أساتذتي الأفاضل،

الذين لم يبخلوا عليّ بعلمهم وتوجيههم، فكانوا نعم العون ونعم المرشدين،

إلى زوجي العزيز،

شريك الدرب والداعم الدائم،

الذي كان صبره ومساندته ركيزة أساسية في إتمام هذا العمل،

إلى أبنائي الأحباء،

مصدر الإلهام والدافع للاستمرار،

راجيةً أن يكون هذا الجهد خطوةً أحتذى في مسيرتهم المستقبلية،

إلى أهلي وأصدقائي،

وكل من قدّم لي دعمًا أو دعاءً صادقًا، أهدىكم ثمرة هذا الجهد،

سائلةً الله القبول والتوفيق

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بدايةً، أتقدّم بأسمى آيات الشكر والتقدير إلى مشرفيِّ الكريمين، الدكتور معز أبو عليا والدكتور علاء الدين دويكات، اللذين لم يدخرا جهدا في توجيهي وإرشادي منذ انبثاق فكرة هذه الرسالة وحتى بلوغها مرحلة النضج والاكتمال. لقد كان لدعمهما المتواصل، وتوجيهاتهما العلمية القيّمة، بالغ الأثر في إنجاز هذا العمل، الأمر الذي يجعلني أعبر لهما عن عميق امتناني وتقديري.

وأتقدّم بخالص الشكر والامتنان إلى زوجي العزيز نور الدين اشتيه، على دعمه المتواصل، وصبره ومساندته الدائمة، إذ كان سندا حقيقيا وعونا لي طوال فترة الدراسة وإعداد هذه الرسالة، فله مني بالغ الشكر والتقدير. كما أتوجّه بالشكر إلى كل من قدّم لي دعماً علمياً أو معنوياً، وأسهم من قريب أو بعيد في إنجاز هذا العمل. كما أتوجّه بخالص الشكر وعظيم الامتنان إلى جامعة النجاح الوطنية، هذا الصرح الأكاديمي العريق، وأخصّ بالذكر أعضاء الهيئة التدريسية الكرام، والقامات العلمية المتميزة في كليتي الدراسات العليا والأعمال والاتصال، لما كان لعطائهم العلمي ودعمهم المتواصل من دورٍ بارز في تعزيز مسيرتي الأكاديمية، وتمكيني من الوصول إلى هذه المرحلة المهمّة.

ولا يفوتني أن أتقدّم بجزيل الشكر والتقدير إلى أعضاء لجنة المناقشة الأفاضل، لما تفضّلوا به من وقتٍ وجهدٍ علمي، ولملاحظاتهم القيّمة التي أسهمت في إثراء هذه الرسالة والارتقاء بها.

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Declaration

I, the undersigned, declare that I submitted the thesis entitled:

CONSEQUENCES OF SUSTAINABLE DEVELOPMENT GOALS DISCLOSURE

I declare that the work provided in this thesis, unless otherwise referenced, is the researcher's own work, and has not been submitted elsewhere for any other degree or qualification.

Student's Name: Ezeya Anwar Hamouda Sharif

Signature: *Ezeya Sharif*

Date: 15/02/2026

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Abstract

The purpose of the study is to analyze the economic implications of Sustainable Development Goals (SDGs) reporting by companies, given the increasing focus on sustainability and corporate responsibility worldwide. The study is based on the stakeholder theory and the agency theory, which examine the effect of SDGs disclosure on firm value, financial performance, Environmental, Social, and Governance ESG Score (ESGs), and capital structure. All these theories present a model of how SDGs disclosure should be interpreted as a tool by which companies react to their expectations and increase their legitimacy, as well as minimize information asymmetry. The study includes the years 2019-2023 based on a panel dataset of European-listed financial and non-financial companies. The data were acquired using the Asset4-Refinitiv Eikon database and thus contained 6,787 data points during four years on 1886 firms.

The analysis takes into consideration the firm-specific and board attributes such as firm size, leverage, sales growth, governance score, and the percentage of return on equity. The empirical results show that the SDGs disclosure notably and positively influences the value of firms and financial performance as well as the ESG score, meaning that the firms with more SDGs disclosure have better sustainability and governance results. On capital structure, the findings indicate that the impact of SDGs disclosure is rather small, but it can still help to increase the level of stakeholder trust and facilitate financing choices. This means that sustainability disclosure is slowly surpassing the conventional financial metrics, and it is becoming complementary to the former in creating capital structure decisions of firms. Moreover, in accordance with differing financing tactics in reaction to sustainability transparency. These findings can be added to the stakeholder and agency theories because they indicate that SDGs disclosure fosters corporate transparency and sustainability performance, and its financial effects are contingent on the market perceptions and institutional settings. Based on this, the study suggests that companies

should focus more on SDGs, making it a part of their fundamental operations as opposed to the disclosure practices that are symbolic. Clearer and more standardized SDGs reporting frameworks are also suggested to policymakers and regulators in order to enhance the comparability and reliability of sustainability information. The study has various limitations despite its contributions. The time frame of the study is rather short, and this includes the COVID-19 pandemic, which could have affected corporate disclosure behavior. Besides, the analysis is based on the aggregate disclosure of SDGs with no one-on-one look at the goals. Further studies can be done to expand this study to include longer time frames, a variety of institutional contexts, or alternative SDGs disclosure and sustainability performance indicators.

Keywords: Sustainable Development Goals Disclosure, Firm Value, Financial Performance, ESG Score, Capital Structure

Chapter One

General Framework of the Study and Literature Review

1.1 Introduction

The United Nations (UN) has been promoting the issue of sustainable development since the 1990s. This commitment attracted the attention of the whole world with its introduction of the agenda of Sustainable Development Goals (SDGs) (Bose et al., 2024; Pizzi et al., 2021). In 2015, the UN came up with 17 SDGs to start a transformation in the world and encourage both developed and developing nations to embrace sustainable operations in their business decision-making models (Sachs et al., 2021). The SDGs are a global sustainable development agenda that is concerned with social, economic, and environmental issues at the same time. These are supposed to be accomplished by 2030 (Umasabor & Ogiedu, 2023).

Nevertheless, the adaptation of SDGs into the strategy of an organization is slow, which is essential to the attainment of the 2030 agenda (KPMG, 2022). According to a recent survey, 40 per cent of the largest companies in the world, as listed in the Fortune Global 250, already incorporate SDGs disclosures in their sustainability reports, a significant rise since the disclosures have been introduced, indicating that a growing number of companies are engaging in sustainable development through collective action (Bose et al., 2024). In order to make the world a better place to live in and sustainable, the Sustainable Development Goals are supposed to achieve a number of social changes, such as eliminating hunger and poverty, providing access to quality education, gender equality and diversity, and decreasing inequality among others by the year 2030.

They also prioritise environmental objectives, including lowering CO₂ emissions, granting access to electricity and clean water, and protecting marine biodiversity (Gangi et al., 2019). To make our planet more livable, governments and the business sector must work together to achieve these goals (Bose & Khan, 2022). Reaching the Sustainable Development Goals is important because they limit current usage so that future generations will have at least as many resources as the current generation (Ozili, 2023). Having a global governance agenda means that businesses must participate in putting the SDGs into practice globally. Still, there is a lot that corporations can do to help achieve

the Sustainable Development Goals, and it is still unclear why they disclose these objectives (Cahyaningtyas et al., 2020).

Learning SDG disclosure and implications would be extremely vital to different capital market players. As an illustration, the shareholders can learn how much the management promises to the SDGs are converted to the performance in the stock market, and how much the promises can be interpreted as sound use of shareholder funds (Surifah & Krismiaji, 2025). In case the adoption of the SDGs in a company has a positive effect on the performance, it can be justified by managers who can present them as a prudent investment to the shareholders. Moreover, the insights may assist national regulatory authorities in defining whether SDG regulation should be mandatory or voluntary and adapted to the local situation and context of SDG implementation by business (Bose et al., 2024).

The primary motivation of this study is to examine the consequences of SDG information disclosure and to highlight its timeliness and practical significance. Beyond concerns about sustainability, society expects the business to use appropriate corporate governance processes to give transparent and accountable information (Grove et al., 2011). Globally, stakeholders are becoming increasingly aware of the significance of corporate governance and the procedures that govern it. A good corporate governance system governs and controls how a business is run, intending to increase the firm's value (Firmansyah et al., 2021). Investors who want to invest can take the value of a company as a benchmark because the high value of the company is a direct indication that it is in the best shape and capable of generating profits (Pamungkas & Meini, 2023). The fact that the SDGs are not considered in most corporate strategies has led to literature addressing the link between the SDGs and firm value. Furthermore, there are arguments about the adoption of the SDGs and firm value (Umasabor & Ogiedu, 2023)

Corporate governance and reporting behaviors influence levels of SDG disclosure (Al-Shaer et al., 2022). Although some research has been conducted on SDG adoption, we still do not know much about the specific outcomes of SDG disclosure. No previous study has examined the impact of SDG adoption on firm value, financial performance, ESG scores, and capital structure across all 17 SDGs. Therefore, SDG disclosure remains under-researched.

This research study will investigate the impact of the disclosure of the Sustainable Development Goals on firm value, financial performance, ESG score, and capital structure, based on works reported in the literature as a basis. The SDG reporting is a newer concept and, as such, is representative of a possible source of openness to all stakeholders, which may result in a greater value of the firm. by way of less uncertainty and more legitimacy (Witte and Dilyard, 2017). Erin & Bamigboye (2021) write that since the absence of standardized measures, other firms can be compared in this field; hence, organizations that offer transparency will enjoy the enhanced financial performance that is going to be realized. because of less information asymmetry.

Umasabor & Ogiedu (2023) state that the delay in the adoption of SDG practices will slow down the process towards ensuring organizations attain sustainability goals, as the organizations that are proactive in their SDG disclosures usually have better ESG. ratings because of showing devotion to responsible business activities. Furthermore, Izzo et al. (2020) pinpoint the challenges related to UN guidelines on the SDGs that have been identified, introduced structural loopholes to the organizational information, and companies that act do they may be credible by being more transparent with the help of detailed reporting. Haladu and Bin-Nashwan (2024) also mention that the issues of capital structure of the corporation contain contradictions. SDG disclosures affect organizations; they give mixed results concerning the same, whether sustainability is committed to and access to funds is more frequent, and it is observed that organizations that leverage which is high ratios are a hindrance to greater transparency. Altogether, these attitudes unveil how the disclosure of the Sustainable Development Goals affects the value of a company, performance, mode of governance, and financing.

In these areas, the author attempts to investigate the emerging patterns of knowledge. In these spheres, the author tries to analyze the new trends in knowledge. The objective of the study is to examine how SDG-related disclosure influences firm value, financial performance, ESG scores, and capital structure in European companies. This study will place special focus on the efforts of European companies to implement the SDGs during the period 2019–2023. An in-depth analysis of trends and the evolving impacts of SDG disclosure during this period will provide insights into the European context. The study utilizes data from the Asset4–Refinitiv Eikon database, a comprehensive and reliable source of financial and non-financial information, enabling a detailed examination of the

relationship between SDG disclosure and corporate outcomes. The study aims to provide insights, particularly those that are relevant to stakeholders in the region, including investors, regulators, and business managers, who are starting to give more attention to the concept of sustainability in their decision-making. This is done through the focus on European businesses. The current study will contribute to the growing literature on the impact of SDG disclosure on the economy and reputation. It also aims to demonstrate how transparency in this field can enhance or undermine a company's sustainability and financial performance.

1.2 Study Problem and Question

The SDGs have been on the rise as a global issue since their introduction as a global agenda in 2015. A stronger sense of urgency should be based on the reflection of the notion that, even though it is not the place where many people would desire it to be, the global discourse of sustainability and SDGs has changed (Bose & Khan, 2022). Sustainability and SDG disclosures enhance corporate transparency, credibility, and reputation, while strengthening stakeholder trust and attracting investors, which may ultimately contribute to improved organizational performance (Ramos et al., 2022; Saha et al., 2024). Awareness has grown, and corporations across the world have begun reporting on actions taken to advance the SDGs, though this remains at a slow and insufficient pace. This is what Umasabor & Ogiedu (2023) attracted our attention to when they said that the failure to implement SDGs on time will pose a threat to the delivery of the 2030 Agenda on time. This is not only an operational issue but also a strategic one, which we believe points to a more significant problem with how organizations perceive, engage with, and report upon sustainability in their organizational frameworks (Lawrence, 2020).

Undoubtedly, one of the most influential challenges that is detracting from meaningful SDG reporting is the lack of a consistent and unified approach to SDG reporting standards. Erin & Bamigboye (2021) argued that while SDG reporting has gained traction since 2016, for the most part, many companies have yet to report upon specific Key Performance Indicators (KPI) in their disclosures. The lack of specific metrics and KPIs creates a challenge in determining the rate of progress that is being made, on a comparative basis across firms, and the efficacy (or otherwise) of SDG-aligned strategies on organizational progress and outcomes. Izzo et al. (2020) furthermore asserted that the

existing gaps in the United Nations' existing framework restrict stakeholders (regulators, investors, society, etc.) from assessing or scrutinizing a company's inputs in relation to SDG progress, at the firm level, and consequently to the extent of mitigation impact. In their SDG research, Rosati and Faria (2019) showed that institutional variables at the national level and regulatory elements at the business level influence companies' adoption and disclosure of these goals in their non-financial reports. Research has indicated that the level of SDG disclosure increases over time while being affected by several factors, such as national laws, governance structures, and economic conditions of countries. However, these studies did not discuss how disclosure changes over time or how it affects business success (Bose et al., 2024)

Expectations have shifted for companies over the years. In today's business environment, companies must focus their attention on sustainable strategies that not only benefit society and the environment but also generate profits on behalf of their shareholders (Bose et al., 2024). Over the past few decades, various strategies have emerged for identifying and promoting business sustainability while engaging with stakeholders. The Global Reporting Initiative (GRI) standards were launched in 2016 in compliance with the requirements of the United Nations Sustainable Development Goal (SDG), which mandates that companies report on their sustainability efforts (Mhlanga et al., 2018). According to KPMG (2022), the GRI standards have remained the most widely used global standard for sustainability reporting and disclosure in recent years. Given the dynamic nature of the economy, society, and the environment, organizations must now consider their impact on the SDGs and develop appropriate plans accordingly. This includes collecting and publicly and regularly reporting new information and linking it to the SDGs to facilitate sustainability.

Companies are under increasing scrutiny, and their sustainability responsibility is becoming more important. Companies are under increased scrutiny, and their sustainability responsibility is becoming more important. This issue has gained prominence and impacts both investors and the benefits of accountability (Rosati & Faria, 2019). Additional challenges complicate the landscape of SDG disclosure, including the diversity of disclosure forms, costly reporting systems, varying standards for information disclosure, and conflicting perceptions of SDG-related practices (Lawrence, 2020). These obstacles create a paradox regarding whether SDG disclosure adds value for companies

and whether it is merely a symbolic gesture primarily aimed at improving brand image rather than genuine accountability. Considering these gaps that were identified, the research questions this study will be based on are as follows: What are the impact consequences of SDG disclosures on organizations? Although sustainability reporting is supposed to foster credibility, attract investment as well, and improve performance, the real effect of SDG reporting on organizational performance, including firm value, financial performance, ESG scores, and capital structure. With more organizations utilizing SDG disclosures as marketing and strategic communications, there arises the need to know whether SDG disclosures have any measurable and significant impact. Research Questions: To answer the research problem, the researcher will respond to the following general research questions:

Q1: Does the level of SDGs disclosure have an impact on firm value?

Q2: How will the SDG disclosure impact financial performance?

Q3: What does SDG disclosure entail for ESG Scores?

Q4: How does SDG disclosure affect a firm's capital structure?

1.3 Study Objectives

This study will focus on exploring the financial implications of Sustainable Development Goals (SDGs) disclosure, as well as exploring the effects of transparency on SDGs-related activities on major corporate outcomes. Specifically, the analysis centers on the realization of whether the reporting of SDG initiatives can help in enhancing the value of firms, financial performance, and ESG rating, as well as capital structure.

Therefore, the objectives of the given work include the following:

O1: To investigate how Sustainable Development Goals disclosure affects the firm value.

O2: To examine the impact of Sustainable Development Goals disclosure on financial performance.

O3: To examine the connection between ESG score and Sustainable Development Goals disclosure.

O4: To identify the effects of Sustainable Development Goals disclosure on the capital structure of firms.

1.4 Study Importance

Scientific Importance

The increasing focus on sustainable development in the world today has heightened the importance of sustainability reporting and corporate transparency a great deal. The Sustainable Development Goals (SDGs) that the United Nations introduced as a part of the 2030 Agenda are an extensive framework that should be used to focus on the key global issues concerning economic growth, environmental sustainability, and social welfare. Consequently, firms are now more motivated to incorporate sustainability issues in their plans and report on their impacts in the SDGs.

Although the issue of sustainability reporting has gained more importance, there is a relative paucity of empirical studies on the economic impacts of SDG disclosure. Most of the literature available has been largely concentrated on voluntary sustainability reporting or, more so, on larger Environmental, Social, and Governance aspects as opposed to explicitly looking at SDG-specific reporting and its impact on corporate performance. Past research, such as Arena et al., (2023), Cernev & Fenner, (2024), Pizzi et al., (2021), primarily studied the sustainability practices or the ESR-related reporting or voluntary disclosure practices without a detailed empirical study on SDG disclosure and its impact on the firm value, financial performance, and corporate financing decisions.

Thus, the research will be able to add to academic literature and offer empirical support regarding the economic impacts of SDG disclosure. The study contributes to the existing knowledge of the impact of sustainability disclosure on corporate performance and market perceptions by analyzing the connection between SDG transparency and firm value, financial performance, ESG scores, and capital structure.

Moreover, the research has a theoretical contribution considering the inclusion of the stakeholder theory and agency theory to define how SDG disclosure can influence corporate governance and performance in an organization. These theoretical approaches assist in the explanation of how the sustainability transparency can help to decrease the information asymmetry, maximize the shareholders' trust, and the congruency between the managers and shareholders.

Practical Importance

In practical terms, this research would offer useful insights to some of the main stakeholders, who are investors, corporate managers, and regulatory bodies. Due to the growing role of sustainability issues when investing in companies, investor confidence is gaining momentum on secure and clear information on the sustainability efforts of companies and their role in the global development agenda. Knowledge of possible financial and strategic consequences of SDG disclosure can help investors assess the performance of corporate sustainability in the long run and value creation.

As managers of corporations, the results of the current research can be used to demonstrate the strategic value of open reporting on sustainability. Firms that properly report their SDG-related operations might increase their image, reinforce their rapport with stakeholders, and raise their position in the market. In addition, reporting of sustainability transparently can help in minimizing information asymmetry and enhance access of firms to the capital markets.

The research is also applicable to policymakers and regulators who are paying more attention to the importance of sustainability disclosure in enhancing corporate accountability and transparency. The economic implications of SDG disclosure may be supported by empirical evidence to support regulatory efforts to enhance the standardization and completeness of sustainability reporting practices.

Lastly, the research targets European firms in the years 2019-2023 based on the data acquired through the Asset4-Refinitiv Eikon database that offers full data in terms of financial statements and other non-financial sources. The analysis of SDG disclosure in the European setting, where the sustainability regulations and measures are highly developed, offers the study useful knowledge of how sustainability transparency may affect corporate performance and financial decisions.

1.5 Theoretical foundation

The corporate governance has ceased to revolve around legal compliance, but accountability, transparency, and ethical, social, and environmental responsibilities. The complications of international markets, as well as increased stakeholder expectations, are evidence of this change (Gangi et al., 2019). The strategic direction and transformation

of best practices of governance in the face of environmental change is largely the mandate of the baton of the board of directors. Specifically, improves the process of decision-making by incorporating the viewpoints based on divergent experiences, promoting innovations, and enhancing stakeholder trust (Grewatsch & Kleindienst, 2017). Good governance, along with different leadership, offers long-term organizational strength and sustainable performance.

Disclosure has become a foundation of responsible governance, being the act of stakeholders obtaining insight into the performance and position of a company (Ariyani & Hartomo, 2018). Adequate and timely disclosure instills confidence and promotes trust in the company, and mitigates risks associated with a lack of transparency. Over the years, going beyond the financial aspects, the information has expanded to cover non-financial and social, economic, and environmental aspects of the company (Gao et al., 2016). In an environment of globalization and due to modern companies' complexity, accounting bodies have developed standards for disclosing information to improve transparency and reporting quality (Ariyani & Hartomo, 2018).

1.5.1 Sustainable Development

Sustainable development (SD) emphasizes living standards beyond economic growth, aiming for long-term economic and environmental stability (Hope, 2020), especially with so many environmental crises. Sustainability was first introduced in the 1970s to combat deforestation and has since become a multi-faceted concept involving economic, environmental, and social dimensions (Emma and Jennifer, 2021; Erin and Bamigboye, 2021). The United Nations has identified these three dimensions as critical. Everything we do will impact the economic, environmental, and social dimensions. The economic dimension focuses on generating systems that can sustain consumption at present without jeopardizing future use. This ties the responsibility to sustainability to the economy and economic stability (Bose et al., 2024).

The environmental dimensions take into account the safeguarding of natural systems, soil, air, and water against decline due to the human factor (Ramos et al., 2022) and will encourage the necessity of stringent and robust environmental policies and responsibility in relation to avoiding the destruction of the environment. Of the same essence, the social dimension aims at the improvement of social well-being and welfare, social justice,

alleviation of poverty, and facilitating equal access to education, health care, and other vital services (Rosati & Faria, 2019). The combination of these dimensions indicates the interreliance of economic growth, environmental stewardship, and social equality as the foundation of sustainability. Over the past few years, regulators and other stakeholders have placed more pressure on organizations to voluntarily disclose information that is related to sustainability. The understanding of the performance in comparison with financial and non-financial metrics to gauge the social, environmental, and economic performance will allow the stakeholders to track the overall progress towards SDGs. The trend of sustainability disclosure resembles the way that businesses have integrated sustainability into their strategy and have taken the responsibility of transparency in their governance since the 1990s (Pratami & Jamil, 2021).

Over time, technology and industrialization have caused severe environmental problems, such as the emission of greenhouse gases and waste pollution, and they still have not been treated scientifically. Programs like the Global Charter of Nature were working to formulate international obligations to protect the environment (Rosati & Faria, 2019). Decades of sustainable development with the orientation to preservation of the environment were followed by the movement to economic and social sustainability, which implied the solution of the problems related to poverty and inequality. Sustainability today is a fairly incorporated practice that is anchored on environmental, economic, and social objectives, technology-based, and in support of civil society (Pamungkas & Meini, 2023; Umasabor & Ogiedu, 2023).

1.5.2 Sustainable Development Goals (SDGs)

The concept of sustainable development has been evolving with time in the decades preceding the Brundtland Report, *Our Common Future*, which reoriented the discourse of the global community by emphasizing the environmental agenda and the balanced method of satisfying the current and future demands (Gangi et al., 2019). It established and shaped a global sustainability action agenda, which is founded on the pillars of environmental, social, and economic, and has served as a foundation of further international cooperation. The United Nations approved the 2030 Agenda for Sustainable Development in 2015 (Aifuwa, 2020).

van Vuuren et al. (2022), evaluated the achievements and limitations of the Millennium Development Goals (MDGs) and the Sustainable Development Goals in shaping future sustainable development beyond 2030. Similarly Cernev & Fenner (2024), argued that weak governmental accountability and the absence of legally binding commitments have limited progress toward the 2030 Agenda, and they proposed strengthening scientific sustainability frameworks and developing an updated set of SDGs for the period 2030–2050.

The plan is a historic document that has detailed plans to guarantee development in diverse and connected aspects, connecting the welfare of human beings and the welfare of the earth (Bose et al., 2024; Ozili, 2023). With 169 indicators, the agenda outlines seventeen SDGs to support global issues that are closely interconnected, such as poverty, inequality, education, climate change, and environmental degradation (Sachs et al., 2021). It is focused on developing an improved, sustainable, and inclusive world through innovation, social justice, and economic development without compromising environmental sustainability. The implementation is majorly national, where countries tailor the goals to suit their local conditions, but the assistance provided by the United Nations and other international organizations contains regional collaborations and alliances (Aifuwa, 2020; Mhlanga et al., 2018). Mechanisms of accountability that are used to evaluate progress at the global, regional, and national levels have also been put in place. The SDGs provide a globalized approach whereby the government, the private sector, and civil society will work together to solve problems aimed at ensuring prosperity, peace, and a sustainable environment for all. All of these goals are related to specific global priorities: gender equality; inclusive and equitable quality education and lifelong learning opportunities to all; affordable, reliable, sustainable, and modern energy to all (Dwivedi, 2023; Khaled et al., 2021).

The objectives also reaffirm the interdependence of human progress and the integrity of the environment. This program is the reaction to the premeditated, coordinated, and concerted contribution of humankind toward a fair, robust, and sustainable future for the present and future generations (Rosati & Faria, 2019). The SDGs, or the SD, are devoted to the realization of the goals of society without undermining the needs of future generations. In 2015, the UN 2030 Agenda was put into action to provide the global sustainability actions based on seventeen core areas, such as poverty reduction, mitigation

of climate change, and better education and health. Policymakers now seek support from the private sector to achieve the SDGs (Frey & Sabbatino, 2018). Adopting the UN 2030 Agenda has increased scrutiny of companies' compliance with sustainability regulations (Ahmed & Anifowose, 2024). Businesses have not yet fully incorporated sustainability into their profit-focused business models, even though integrating the SDGs into business appears to be a comprehensive approach to address many pressing global challenges and to make broad commitments to diverse stakeholders such as customers, regulators, and NGOs (Saha et al., 2024). According to Pertiwi (2017), Sustainable development aims to satisfy human needs through institutional reforms, technology, investment, and resource development. The Sustainable Development Objectives (SDGs) are 17 objectives established by the UN that are grouped into four categories: social, economic, environmental, and legal development. The goals centre on equality between states and citizens. Because these aims help society, implementing them within businesses increases stakeholder confidence (Dewi & Pinem, 2023). Even though reaching a more sustainable planet by 2030 is important, empirical evidence shows that very few businesses follow a specific SDG strategy, suggesting that most companies do not give SDGs the priority they need, and those that do follow a particular SDG strategy do so in a symbolic capacity (Emma & Jennifer, 2021)

Although there has been substantial research focused on financial and non-financial disclosures, SDG reporting has not been researched extensively due to its relatively new paradigm. It is pointed out by Gao et al. (2016) There are a few studies looking at corporate efforts related to the SDGs, and they call for more research focused on reporting on the SDGs and integrating the goals into sustainability reporting in multinational organizations. Alfiah & Arsjah (2021) extend the analysis to report on corporate SDG development in the period 2015-2017, and suggest that greater numbers of recommendations receive greater implementation of SDG disclosure.

However, they note that most studies measure sustainability data based on binary measures and include most non-financial reporting, but not annual reports. Cahyaningtyas et al. (2020), Gunawan et al. (2020) seek to address this gap in reporting, as they manually reviewed Indonesian firms' SDG disclosures in annual and CSR reports, finding disclosures were higher in annual reports, and also noted which SDGs were reported at higher rates. Despite these developments, deeper cross-country, cross-industry, and multi-

year research is still necessary to fully understand SDG reporting trends. Hummel and Szekely (2022) document that SDG reporting quality has significantly improved over time, but still maintains sparse quantitative and forward-looking information. Through an analysis, they also determine that investors, customers, and environmental public pressure are important in reporting practices, while financial analysts, employees, and media overall have little impact on SDG reporting (Hummel & Szekely, 2022)

1.5.3 SDG Disclosure

The practice of organizations reporting to stakeholders on their economic, environmental, and social actions combines the ideas of reporting and sustainability. Meeting the requirements of the current generation without jeopardizing the capacity of future generations to satisfy their own needs is known as sustainability. However, reporting entails giving stakeholders access to all or some of an organization's information (Bose et al., 2024). Sustainability reporting, according to the GRI, is the process of evaluating internal and external stakeholders for organizational performance in order to meet the SDGs. To make informed investment decisions, investors, financial analysts, and other stakeholders now seek information about the non-financial and financial performance of businesses (Aifuwa, 2020).

Consequently, disclosure of economic, environmental, and social issues may make a significant positive contribution to the financial performance of an organization, corporate image, and attractiveness of such an organization to investors. The reporting on sustainability is one of the ways through which companies reveal the social, environmental, and economic impacts of their daily activities (Pertiwi, 2017). It reports on its daily economic, environmental, and social activities on the organizational information as it impacts the community and stakeholders within which it operates (Ariyani & Hartomo, 2018). While it is beneficial for organizations to disclose economic, environmental, and social consequences, there are a number of factors to take into account. According to Pizzi et al. (2021), they include measurement and disclosure, incentive, enforcement and compliance, standardization, comparability, and reporting dependability. A low degree of sustainability disclosure may result from the voluntary nature of reporting, especially as certain authorities and global capital markets do not mandate that businesses disclose environmental and social concerns (Al-Shaer et al., 2022). Businesses with robust governance frameworks are aware of stakeholders'

expectations and interact with them to resolve issues pertaining to SDG achievement. A company's reputation in social and environmental contexts may be enhanced by its involvement in and accomplishment of the SDGs. SDGs are crucial for guaranteeing business sustainability, which is a global problem (Hope, 2020; Rendtorff, 2020). For SDGs to be included in company reports, the United Nations Global Compact UNGC and Global Reporting Initiative GRI have both created reporting guidelines. A useful tool for businesses wishing to create more thorough reports is "Integrating the Sustainable Development Goals into Corporate Reporting: A Practical Guide"(Frey & Sabbatino, 2018; Ito, 2018). As mentioned earlier, there is still a dearth of empirical research on corporate disclosure on SDGs, despite the fact that awareness of the significance of sustainable development is increasing. According to recent surveys, most businesses have not yet included the SDGs in their reporting (KPMG, 2022)

Figure (1)

Sustainable development goals



Note: (United Nations, 2020).

1.5.4 Firm Value

A firm's overall value and future potential are assessed through market valuation and financial fundamentals. Investors' perception of a company's financial statements indicates their belief in its ability to generate sustainable returns. Therefore, investors are more likely to value publicly traded companies using the company's market price methodology, while private companies use book value or accounting-based measurement methodologies to estimate their company's value (Nurhayati et al., 2021; Soetjanto & Thamrin, 2020). Through market capitalization, adjusted net worth, and other leading performance measures, including return on assets and return on equity, a company's value can be assessed as an important indicator of organizational performance (Thavikulwat, 2004; Umasabor & Ogiedu, 2023). In most cases, the Tobin Q coefficient is the most widely used measure of a company's value. The Tobin Index is used to determine the asset value of a company, considering the replacement cost and comparing it with the market value of the assets to determine investor expectations regarding the company in the market in terms of future opportunities to grow and management efficiency (Brainard & Tobin, 1968; Cahyaningtyas et al., 2020; Lang et al., 1989). The external forces, including the sustainability reporting and disclosure practices, are becoming more and more relevant to the value of a company in the present-day business environment. Empirical studies indicate that in a situation where a firm is open regarding its sustainability reporting and the reporting ability to reinforce the Sustainable Development Goals, the potential valuation of the firm can be positively or negatively influenced according to market expectations (Bose et al., 2024)

1.5.5 Financial Performance

Corporate profitability is highly influenced by financial performance, which is the driving force behind strategic decisions and the maximization of shareholder wealth. Hence, in order to maximize their financial performance, several companies have realized that by incorporating Sustainable Development Goals in their activities, they can develop efficiencies in their activities and improve their competitiveness (Barnawi & Abdullah, 2023). Accordingly, there are numerous companies that are aligning their sustainability efforts with their financial performance. There are indications that when companies show how their social and environmental operations contribute to the financial wealth generation, chances of an organization embracing sustainable business practices become

much higher (Saha et al., 2024). The SDGs offer a blueprint for long-term sustainability; the cost to execute the sustainability initiatives may affect profitability in the short term, thus putting organizations that seek to be financially sustainable in a dilemma between their SDG commitments (Lawati & Hussainey, 2022). Assessing the financial performance of a company can be done in many different ways, although the most prevalent assessment methods are the accounting and market-based evaluation methods, where a company projects future profitability (Griffin & Mahon, 1997). Specifically, accounting measures and return on assets, in particular, are directly connected to sustainability since they give an understanding of the efficiency of resources in the long term (Saha et al., 2024; Grewatsch & Kleindienst, 2017).

Although in the short term, the accentuation on SDG initiatives can lead to a decline in profitability, because the expenses related to sustainability activities can influence the net income of a company, companies that have undertaken SDG initiatives have the benefits of having good relations with stakeholders and receiving institutional support (Dewi & Pinem, 2023). There is also evidence to conclude that most profitable companies are undertaking to down-report or not at all report SDG-related initiatives, as they may cause them to lose the profitability as perceived by investors. Unless a company has a high profile, which is an industry with a high profile and sensitive reputation and awareness of transparency standards, investors usually focus on profitability and do not pay attention to sustainability disclosures (Dewi & Pinem, 2023; Lassala et al., 2021). The SDGs would also result in long-term resources that create sustainability of efficiency, which eventually results in greater financial returns to the company in terms of return on assets or return on equity (Jawaad & Zafar, 2020). Moreover, better ROA and ROE can be ensured in terms of SDGs like clean water availability, good education, and clean energy (Ozili, 2023).

1.5.6 ESG Scores

Environmental, Social, and Governance (ESG) is a concept that was initiated in 2004 during the invitation of 20 major financial institutions by UN Secretary-General Kofi Annan to collaborate with the UN and the International Finance Corporation (IFC) to assist in embedding ESG factors into stock markets. It resulted in the official introduction of ESG, and now sustainability is one of the most important indicators in the decision-making of investments (Daugaard & Ashley, 2022). With the help of an ESG assessment,

the economic activity of a company can be evaluated, considering its effect on the environment, social responsibility, and quality of governance. ESG evaluations also take into consideration the financial influence of sustainability (Bele et al., 2023; MacNeil & Esser, 2022). Environmental criteria center on how a firm is managing its natural resources, social criteria are concerned with how a firm relates with its stakeholders, and governance criteria are concerned with the leadership controls and shareholders' rights. Today, a significant portion of companies assign their ESG activities to the United Nations SDGs, and in these goals, the company aims to communicate its sustainable performance and responsible investment (Ramirez et al., 2022; Soni, 2023). The concept of ESG has changed the previous idea of corporate social responsibility to articulate the connection between sustainability performance and financial performance (MacNeil & Esser, 2022). There is growing interest in ESG practices worldwide, which is why the number of ESG disclosures has also been on the rise, especially in the emerging markets, where the research of the best-performing companies has shown that the level and scores of ESG transparency have steadily increased over time (Soni, 2023). The ability to match their ESG strategies with the particular SDGs of the UN helps the companies to establish measurable targets and improve transparency. In the majority of works, the term environment, social, and governance (ESG) is often characterized as a synonym of sustainability disclosure, even though the understanding of sustainability reporting in the framework of corporate activities and their effects on society, economy, environment, and governance is becoming increasingly popular (Vũ Phong, 2024).

Additionally, environmental disclosure and corporate social responsibility are considered to be synonymous. Nevertheless, the under-implementation of the SDGs has been observed, particularly in underdeveloped nations, due to limited focus on SDG reporting (Umasabor & Ogiedu, 2023). In the capital market, the relationship between a company's ESG assets and its cost of capital is crucial. Companies with stronger ESG performance are exposed to lower ESG-related risks, which can lead to reduced capital costs, ultimately enhancing cash flow and firm value (Ernst & Woithe, 2024)

1.5.7 Capital structure

Capital structure refers to the percentage of debt versus equity financing in which a company finances its assets and operations, and long-term investments. It is a significant element of the financial strategy of a company (Armelia & Ruzikna, 2016). When a

company raises debt as a source of funding, it utilizes borrowed funds, e.g., loans, bonds, or any other type of lending, and interest on the loan. In a scenario whereby a company relies on equity as a source of finance, the company uses the capital provided by the shareholders, and in the process, the shareholders are entitled to own the company. The objective of determining the most appropriate capital structure to be adopted by a business is to identify which one is the least expensive and offers maximum value (Vural-Yavas, 2016).

Companies with the best capital structure will reduce their overall financial risk, be more profitable, and continue to grow over the long term. Highly leveraged and debt-laden companies may increase their likelihood of financial distress or bankruptcy. Companies that rely heavily on equity financing risk diminishing their equity value and will pay a higher cost for the capital they raise. Consequently, a company's capital structure is a balance between risk and return, determined by sector characteristics, company age, the tax advantages associated with different types of financing, the state of capital markets, and management preferences (Haladu & Bin-Nashwan, 2024). In addition to its impact on a company's financial performance, capital structure also influences the amount of investment companies will make to grow their businesses and boost the economy; therefore, it is a crucial element for long-term economic sustainability and, consequently, a key component of sustainable development (Haladu & Bin-Nashwan, 2024). As a result of recent global trends toward sustainability, companies have increasingly incorporated the SDGs into their disclosure practices, making the capital structure of their operations far more strategic than before. With higher quality SDG reporting, there is reduced information asymmetry between the company and its investors, creditors, and such companies are perceived to have lower risks and higher rewards (Chen et al., 2023; Ng & Rezaee, 2012; Dhaliwal et al., 2011).

The stakeholder theory reveals the connection between the capital structure of a company and its accountability and legitimacy to the stakeholders (Donaldson & Preston, 1995). Companies that are transparent in SDGs cultivate more trust in a stakeholder group, comprising regulators, investors, creditors, employees, and communities, which improves the reputation of the company and lowers both financial and non-financial risks (Dewi & Pinem, 2023). This has enhanced confidence, which allows the companies to obtain cheaper financing and hence an increase in capital flexibility, helps companies access

long-term capital available to make sustainable investments, and assists in the achievement of companies' sustainability objectives (Surifah & Krismiaji, 2025; Putri & Firmansyah, 2023). Furthermore, strong reporting on the SDGs reduces a company's reputational and regulatory risks, thereby contributing to its financial stability and enhancing its ability to access sustainable financing through sustainable financial instruments, such as green bonds or other socially responsible investments (Putri & Firmansyah, 2023). Agency theory explains the effects of capital structure on management behavior and disclosures. When managers prioritize their own interests over those of shareholders, agency costs increase (Jensen & Meckling, 1976). The use of debt in the capital structure creates a financial obligation by generating interest expenses that establish fiscal discipline, limiting discretion, and reducing agency costs. Furthermore, the disclosure of the Sustainable Development Goals, among other things, represents a means of monitoring management and helps to reduce information asymmetry between managers, shareholders, and creditors (Barnawi & Abdullah, 2023).

1.6 Theories

Some theories support the motivation behind sustainability studies and the Sustainable Development Goals. These theories fall within the social, environmental, and governance frameworks, the most important of which is the stakeholder theory and agency theory (Erin et al., 2022)

Stakeholder theory

There are two frameworks within the stakeholder theory: the first identifies stakeholders as the centre of attention for how businesses manage their connections with them. In contrast, the second defines stakeholders as outside impacts from stakeholder groups and interests that can affect business operations, including the government, corporate, and social community (Freeman, 1984). Ariyani and Hartomo (2018) posit that the emergence of social responsibility signifies a change from internal to external stakeholders. This strategy emphasises how important it is for managers to act in the best interests of all parties, not just shareholders (Dewi & Pinem, 2023).

According to Hill & Jones (1992) Stakeholder theory describes how businesses respond to stakeholder demands to obtain a competitive edge and guarantee society's long-term existence. Stakeholder theory serves as the theoretical foundation for the current

investigation. According to this idea, businesses should prioritise the requirements of all of their stakeholders, even though they should prioritise the demands of their most significant and influential stakeholders (Hillman & Keim, 2001). According to stakeholder theory, corporate disclosure of the SDGs may be influenced by the existence of non-financial stakeholders (such as the media, regulatory agencies, etc.). These parties put pressure on businesses to actively participate in achieving the SDGs. Stakeholder involvement and participation have been cited as crucial requirements for successful SDG implementation and SDG information reporting, specifically concerning the adoption of the SDGs (United Nations, 2020).

The implementation of the SDGs will either be impossible or incomplete if there are insufficient multi-stakeholder engagement and interaction. Implementing the SDGs will not align with its core values: equality, justice, and equity (Rendtorff, 2020). As a result, it is anticipated that businesses with ongoing interactions with stakeholders would be more inclined to reveal their SDG-related endeavours. Furthermore, according to stakeholder theory, businesses that satisfy the implicit needs of stakeholders improve their standing and see an improvement in business performance (Freeman, 2010).

In a number of studies, effectively managing the stakeholders has been observed to assist the business in achieving and maintaining higher performance (Bose et al., 2024; Hillman & Keim, 2001). With reference to the stakeholder theory, the association between sustainable practices and the achievement of corporate goals, such as profitability and sustainable growth, has evidence to support the association between sustainable practices and sustainable growth. This enables the companies to respond to the stakeholder demands over their financial performance, improving the long-term profitability of the business (Umasabor & Ogiedu, 2023). Stakeholder theories establish a positive relationship as the setting up of SDGs Goals minimizes business risk. These firms possess special resources, which, in case they exploit them properly to address the environmental challenges, can give them a competitive advantage and enhance their financial performance. Moreover, as the stakeholder theory states, the satisfaction of environmental and social needs of stakeholders has a strong positive influence on the financial performance (Lawati & Hussainey, 2022). The profitability of businesses can be enhanced through more sustainable development policies in response to the pressure of various stakeholders (Sarkis et al., 2010). It is possible to enhance stakeholder credibility with the

help of the reinforcement of environmental laws and standards, as well as the preference for business performance (Saha et al., 2024). It is essential to remain transparent with SDG practices to establish strong relationships between the organization and its stakeholders, which, further on, leads to increased business success; the application of SDG methods in business enhances planning, execution, observation of activities, and communication with stakeholders (Rosati & Faria, 2019).

Agency theory

Agency theory is a major theory in corporate governance and finance, and it provides the agency relationships between principals and agents, and the possibility of an agency problem. According to Jensen & Meckling (1976), agency problems are a result of the conflicting interests and information asymmetries, which are created when the managers usually possess more information regarding the operations of the company than the shareholders. The ensuing information asymmetries give the managers a chance to pursue their own self-interests at the cost of generating long-run firm value. SDGs disclosures in this context lead to a chance to reduce these information asymmetries by disclosing how the management reacts to the environmental, social, and governance issues (Gunawan et al., 2020). It has been demonstrated in the previous studies that the sustainability disclosures can give a positive signal to the investors to the level that the disclosures imply the managerial responsibility and integrity, thus diminishing the agency costs and improving the trust (Bose et al., 2024; Gunawan & Mayangsari, 2015).

Besides, enabling effective resource utilization, sustainable innovation, and improved relationships with stakeholders, SDG disclosure cannot only enhance the financial performance but also the sustainability performance. Research has mentioned this possible growth in financial performance by improving profitability and reducing operational risks, and maintaining the competitive advantage (Pratami & Jamil, 2021; Lopez-Perez et al., 2017). With regards to ESG scores, companies that report SDG information show that they are oriented towards global sustainability boundaries and are typified by a tangible action in relation to sustainability in environmental performance, as well as social responsibility and governance systems. These congruence tendencies often lead to an increase in the ESG score, attracting existing and prospective socially responsible and sustainability-oriented investors (Taglialatela et al., 2023; Aifuwa, 2020). Additionally, SDG disclosure impacts the capital structure by increasing transparency and

guaranteeing that the lenders and investors understand that the company is operating with environmental and regulatory risks in an accountable manner. It has been claimed that increasing transparency helps in reducing the cost of debt, increasing access to outside financing, and creating a more stable financing framework (Erin & Bamigboye, 2021; Haladu & Bin-Nashwan, 2024). It is also observed that firms of high sustainability practice are less prone to disruption and operational shocks, which is why there are high chances of mitigating financing risks to creditors (Ito, 2018). Overall, the agency theory provides a general framework to explain SDG disclosure as a tool to reduce information asymmetry and enhance governance, and enhance both financial and non-financial performance.

1.7 Hypothesis development

1.7.1 SDGs Disclosure and Firm Value

Scholars stress that in the contemporary market, decision-makers should be able to continuously integrate the community, outer world, and the natural environment where they have to act (Gao et al., 2016). Its underlying cause is that the future of the strategic positioning of companies is determined by the changes in their external environment, and thus, companies should constantly reevaluate their strategic priorities to secure their survival in the long run (Porter & Kramer, 2011). Firm value refers to the estimation of an investor in the success of a company and may be associated with the share price. The prices of shares are high, which may raise the value of the business and make the market trust the current development and future of the company (Pamungkas & Meini, 2023). They form a significant gauge with which investors assess an organization (Thavikulwat, 2004). Using some different tools, it can be calculated, e.g., book value, market value, judgment call, and adjusted net worth (Nurhayati et al., 2021).

In the case of public companies, the value of a company is represented in the share price, whereas the value of an unlisted company is commonly represented in the book value (Soetjanto & Thamrin, 2020). It is the survival and growth of the business, which means that the company's value has to be maintained. The growth of a company in terms of value is often measured using market capitalization, which is calculated using the price of a share in the market. Business value also depicts the price that a purchaser will pay to the business, which could be the net book value or even the book value. Moreover, the value

of a company can also be measured by using inferential judgment, which involves the calculation of such performance measures as return on assets and return on equity (Nurhayati et al., 2021; Thavikulwat, 2004; Umasabor & Ogiedu, 2023). The Q of Tobin is used to measure the performance and value of a company, which is the way management uses the assets of a company (Lang et al., 1989). Q is used by Tobin to indicate investment opportunities and growth potential of a firm and the view of the investors on the potential of the firm to make profits in the future (Brainard & Tobin, 1968). Tobin's Q is calculated by comparing the market value of a company's stock to the book value of its stock, and this indicator is distinguished by its focus on comparing the company's current value to its current replacement cost (Cahyaningtyas et al., 2020).

Gunawan and Mayangsari (2015) Sustainability reports prove that a company is answerable to its stakeholders, and among other benefits, investors will be more in demand for companies that report on sustainability. A company's disclosure of its sustainability reporting is regarded as an act of responsibility and transparency to stakeholders who have the potential to enhance the firm's worth (Pamungkas & Meini, 2023).

According to Pamungkas & Meini, 2023; Pratami & Jamil (2021) findings, a company's value is adversely affected by sustainability disclosure. This indicates that investors do not use the company's sustainability disclosures as a criterion when choosing which investments to make. Investors do not evaluate sustainability reporting from this viewpoint since some firms are still unable to provide sustainability reports on a regular annual basis. This is because a company's sustainability reporting may differ from the requirements outlined by the Global Reporting Initiative (GRI) (Pamungkas & Meini, 2023).

Bose et al. (2024) implementing the SDGs by the company and disclosing information related to the SDGs at the company level will signal to the market that companies are committed to the sustainability agenda, and this is likely to be received positively by investors and other market players. Therefore, in addition to reducing information asymmetry, disclosing information related to the SDGs will enhance investors' confidence in the market in the company's long-term performance (Bose et al., 2024).

The studies (Bose et al., 2024; Cahyaningtyas et al., 2020) found a positive relationship and association between higher levels of SDG disclosure and increased firm value. Lopez-Perez et al. (2017) examined sustainable development management on firm value in SMEs and found a positive association between sustainable development and firm value. However, Ito (2018) found a mixed effect; after investigating the impact of the SDGs on firm value using theoretical analysis, they found that a company's contribution to the SDGs positively affects firm value if it can increase the investor base, and the SDGs can improve the perceived value of the company. However, if investors and shareholders care about both the company's contribution to the SDGs and the company's value, the company's monetary value may be offset; thus, the SDGs contributed positively to the recognised value but not to the monetary value (Umasabor & Ogiedu, 2023).

Based on the evidence provided by previous studies on the relationship between SDG disclosure and increased market value of companies, such disclosure can balance the interests of shareholders with the demands of broader stakeholders, thereby increasing the market value of the company (Bose et al., 2024) Formally, this hypothesis is expressed as follows:

H1: The level of disclosure of Sustainable Development Goals is positively associated with firm value.

1.7.2 SDGs Disclosure and Financial Performance

The primary goal of any company is to maximize shareholder value, so when companies recognize how the SDGs can help their bottom line, companies are frequently encouraged to pursue these goals. To persuade companies to adopt more sustainable practices, it is important to provide data that links financial success to social and environmental goals. We can inspire more companies to emphasize social and environmental responsibility by showing how sustainable business practices can enhance the organization (Saha et al., 2024).

Companies are embracing the SDGs because they provide the best roadmap for long-term survival while considering the environment and future generations. However, expenses associated with implementing the SDGs may impact companies' financial success. The growing interest in this area of study has resulted from this concern, especially regarding how companies can continue to operate at a high level while putting the SDGs into effect

(Lawati & Hussainey, 2022). Financial performance has been divided into accounting, financial, and cognitive and economic conditions, and market expectations influence market-based measures such as Tobin's RSI, which indicates future profitability (Griffin & Mahon, 1997).

According to Grewatsch & Kleindienst (2017) accounting measures such as return on assets (ROA) are more connected to sustainability because they are based on historical data. An important indicator of operational performance related to sustainability is a return on assets (ROA), which shows how well a company uses its assets to generate revenue (Saha et al., 2024). SDGs have an impact on business profits due to the negative interaction between the factors, and a company's increased commitment to SDG metrics may lead to worse profitability. Therefore, adhering to community standards and maintaining positive relationships with stakeholders improves institutional support (Dewi & Pinem, 2023)

Lassala et al. (2021) suggest that highly successful companies list only a small number of SDGs in their sustainability reports because they believe doing so will reduce their revenues. Investors in this environment prefer highly profitable companies regardless of whether the latter have disclosed their social responsibility or not. Investors are reluctant to invest in low-profit companies because they cannot achieve the expected return. SDG practices and reporting improve the performance of companies in controversial and environmentally sensitive industries, proving that SDG practices and reporting help these companies grow and become more transparent. Therefore, reporting and practices related to the SDGs only help improve performance in the case of individual organizations by improving their reputation or reducing information asymmetries (Dewi & Pinem, 2023).

According to a study by Izzo et al. (2020), the majority of large Italian-listed companies have started integrating SDGs into their disclosure policies. Furthermore, (Khaled et al., 2021) found that a range of SDG-related initiatives are adopted by companies with strong environmental, social, and governance (ESG) performance due to monitoring by different stakeholders. Research suggests that achieving SDGs provides companies with sustainable resources that increase their efficiency and financial gains (Jawaad & Zafar, 2020).

According to a study Ozili (2023), improving health and well-being increases non-interest income, providing clean water and sanitation improves return on assets, stopping climate change reduces return on assets, and promoting clean energy and quality education enhances return on equity, and regulators should support sustainable goals that increase banks' profitability while balancing their support with economic obstacles, especially since some goals may, depending on the location, have a detrimental impact on banks' profitability.

The study results of Lawati & Hussainey (2022) show that financial institutions' adoption of the SDGs has a significant and positive impact on their business performance, and the results show that companies have made significant efforts to use SDG practices, which will improve their standing and credibility with stakeholders and enhance their chances of survival.

Alshehhi et al. (2018); Khaled et al. (2021) found a positive relationship between SDGs and company financial performance, which is significantly and positively affected by environmental SDGs. Over time, a company's performance may improve significantly by making improvements to its social and environmental standards, and companies can reduce their environmental impact, improve their reputation, and attract socially conscious customers by implementing sustainable practices (Saha et al., 2024) A company's profitability is also positively impacted by the SDGs' economic metrics (Alfiah & Arsjah, 2021).

However, other research suggests a negative relationship between financial performance and achieving sustainable development goals. According to trade-off theory, there should be a negative association where companies practicing social and environmental responsibility priorities meeting the demands of multiple stakeholders over those of their shareholders; participation in environmental initiatives can drain a company's internal resources, increase social expenses and impair its financial performance (Lawati & Hussainey, 2022).

A study by Ramos et al. (2022) found that companies' adoption of sustainable development goals had no significant impact on their performance, with the highest level of attention given to SDGs 2, 6, and 14 and the lowest level of attention given to SDGs

5, 8, and 13. This could help investors and regulators understand the importance of these goals to business performance.

Based on the above, the following hypothesis can be formulated:

H2: The level of disclosure of Sustainable Development Goals is positively associated with financial performance.

1.7.3 SDGs Disclosure and ESG Scores

When Kofi Annan, the UN Secretary-General, asked 20 financial institutions to work with the UN and the International Finance Corporation in 2004 to find ways to incorporate environmental, social, and governance issues into capital markets, the term ESG was born. The ESG checks enable the companies to quantify their activities in addition to addressing the issue of sustainability and social impact. This was aimed at quantifying sustainability and ensuring sustainability (Daugaard & Ashley, 2022). ESG is an abbreviation of Environmental, Social, and Governance, which controls the economic operations of the companies and takes into account their effects on society, environment, and corporate governance. ESG is commonly considered as the financial effect of sustainability (Bele et al., 2023). It is also an approach that is aimed at preserving the environment, society, and encouraging responsible investments (MacNeil & Esser, 2022). Environmental criteria encompass a company's performance as a custodian of the natural environment. Social criteria include a company's relationships with employees, suppliers, customers, and the communities in which it operates. Governance criteria refer to a company's leadership, auditing, internal control, and shareholder rights. It is also a global long-term development plan and aims to improve our planet by eliminating poverty and inequality through green transformation and empowerment by 2030 (Bele et al., 2023). It is a framework for responsible investing. Many companies use the Sustainable Development Goals as a benchmark for measuring their sustainability performance and are aligning their ESG practices with the SDGs (Soni, 2023). It is an important non-material criterion for investors interested in social considerations and responsibility, which helps to close the financing gap for the Sustainable Development Goals (Ramirez et al., 2022). ESG has evolved from concepts such as corporate social responsibility (CSR) and philanthropy. However, unlike these earlier concepts, ESG aims to link social and environmental benefits to financial returns (MacNeil & Esser, 2022).

There has been a growing demand for aligning corporate ESG disclosures with the UN Sustainable Development Goals, and emerging market companies and investors are starting to pay attention to ESG issues. A study of 1,500 best-performing firms in the emerging world shows that the trend is on the rise of companies reporting ESG and rising ESG scores over the years (Soni, 2023). The ESG factors are guidelines that help businesses assess their effects on the environment and society. The alignment of ESG strategies with particular SDGs allows the companies to establish quantifiable targets as part of overall sustainability (Vũ Phong, 2024). Businesses are asked to report their ESG performance on the SDGs; this increases a sense of transparency and allows stakeholders to evaluate the corporate input to sustainable progress. Public disclosure of SDGs-related reporting initiatives has the power to harmonize how companies report their developments and show how various sectors make unique contributions to the SDGs, depending on their respective ESG performance (Radu et al., 2023). Governments, businesses, and civil society are some of the stakeholders that are important in spurring the integration of the ESG factors with the SDGs. Governments can create policies that promote sustainable policies, businesses have to implement transparent reporting systems, and structure their strategies in alignment with the SDGs, and civil societies push businesses toward accountability and demand sustainable practices of the businesses (Dwivedi, 2023; Radu et al., 2023). Studies were both congruent and contradictory. According to a study on the ASEAN countries, it was concluded that the increased levels of environmental, social, and governance scores corresponded to the improved performance in achieving the SDGs, implying that those business organizations that emphasize the ESG criteria have the potential to be more effective in meeting the sustainable development goals (Sadiq et al., 2023). There is a positive correlation between the degree of SDG disclosure and the ESG scores among firms. The analysis of the correlation between the level of commitment to the SDGs and their ESG scores of Japanese-listed companies identified that the level of commitment to the SDGs and their ESG scores are close to each other. This was validated by examining the text of annual reports of companies and found that there was a good correlation between the text mentioning the Sustainable Development Goals and the text mentioning the ESG."(Sasaki, 2020). A study by Soni (2023) also indicates a relationship between ESG disclosures at the company level and SDG scores at the country level in emerging markets (India, China, and Brazil). Correlation and causality tests revealed a significant positive

correlation between average ESG scores and each country's SDG scores. Although this study focuses on the country level, it suggests that countries with higher average ESG scores tend to achieve better results in SDG indices, which could reflect companies' interest in disclosing ESG practices that contribute to achieving the SDGs. According to a study by Heras-Saizarbitoria et al. (2022), the majority of companies were either non-existent or extremely evasive when it came to addressing the SDGs, and organizational operationalization of the SDGs was superficial in most cases; most information on the operationalization of the global goals was missing.

In addition, research conducted by Mhlanga et al. (2018) found a significant gap between what multinational companies say and what they do on the SDGs. The research revealed that only one-third of the companies in their sample provided information on SDG-related actions or targets, even though approximately two-thirds of companies had made public commitments to global goals. According to a study by Ferrero-Ferrero et al. (2023); Manes-Rossi & Nicolo (2022), Corporate engagement with the SDGs is typically symbolic rather than substantive, with corporate commitments rarely impacting their long-term objectives and strategies. This indicates that a high level of disclosure could be observed to be high in certain instances without necessarily incurring actual ESG results and commitment towards the SDGs. In the Plastun et al. (2020) study, correlation analysis involving the relationship between the ESG disclosure regulation and the SDG ratings and ranking of the top 50 economies indicated that there were no stable relationships between the ESG disclosure regulation and SDG ratings. Though this is country-level, not at the company level, it signifies that the very existence of the disclosure regulation, which can cause an increase in the level of disclosure, does not necessarily indicate an improvement in the indicators of sustainable development. The hypothesis that can be developed based on the above is as follows: H3: There is a positive relationship between the degree of Sustainable Development Goals disclosure and ESG scores.

1.7.4 SDGs Disclosure and Capital Structure

The publication of SDGs is very important in determining the capital structure of firms, as they affect the cost of capital and ease of financing. Exceptional sustainability reporting minimizes information asymmetry, improves transparency, and boosts investor confidence (Ng & Rezaee, 2012). This enhanced transparency has been linked to the perceived risk being low, hence the cost of debt and equity is lower (Dhaliwal et al., 2011;

Eliwa et al., 2021). Lowering the price of debt can give companies better terms of borrowing, and this will influence companies to be more dependent on debt financing in their capital structure. On the same note, reduced equity costs are an indicator of improved market pricing, which may attract equity financing whenever the market is favorable (Chen et al., 2023). These financing choices modifications clearly point to the paramount connection between SDG disclosure and capital structure optimization. SDG reporting allows firms to ensure that corporate practices are in line with societal expectations, thereby improving legitimacy as well as decreasing the risk premium charged to investors and creditors, which provides them with a better chance to raise capital efficiently (Dwomor & Mensah, 2024; Friedman et al., 2022). Therefore, the SDG disclosure may be regarded as a strategic instrument of minimizing the cost and deciding the debt-equity ratio, which eventually results in a more balanced and sustainable capital structure (Chen et al., 2023). Capital structure is a combination of debts raised with the banks and the shareholder capital belonging to the shareholders of a company, which is reflected in the financial structure of the business in order to achieve maximum utilization of capital (Armelia & Ruzikna, 2016). Overall, it is the debt and equity ratio employed to fund the investment operations of the company, and businesses are aiming to attain an optimum capital structure that would optimize their value (Vural-Yavas, 2016). It may also be described as the ratio of debt to equity of the company, which shows how much a company relies on creditors as opposed to the shareholders (Haladu & Bin-Nashwan, 2024; Haladu & Salim, 2016). Capital structure has been determined as a critical factor of investment levels and economic stability, hence ensuring sustainable development (Haladu & Bin-Nashwan, 2024). Furthermore, the manner in which managers control the capital structure of a firm is very important since it directly influences the financial status of the firm and promotes the welfare of the stakeholders (Putri & Firmansyah, 2023). Sustainability reporting and disclosure have become a trend in recent years, with companies reacting to the SDGs (Arena et al., 2023). The reporting of SDG-related data indicates the dedication of companies to the concept of environmental, social, and governance (ESG), which increases transparency, accountability, and trust of the stakeholders (Chinda & Joseph, 2025; Kulsum, 2025; Vural-Yavas, 2016). Simultaneously, the financial structure, including leverage, is the blood of any business that entails the combination of both debt and equity to finance the assets and operations of a company, maximizing the value of firms as a whole (Haladu & Bin-Nashwan, 2024;

Putri & Firmansyah, 2023; Vural-Yavas, 2016). The stakeholder theory states that companies should attend to the interests of different stakeholders and give clear information to prove that they operate responsibly and sustainably (Donaldson & Preston, 1995; Freeman, 1984), according to this theory, the companies are not in existence with a sole purpose of serving shareholders, but instead to fulfill the expectations of all stakeholders who are impacted by corporate decisions (Dewi & Pinem, 2023). As a result, corporate responsibility becomes even larger in terms of profit-making because debt repayments and social demands force companies to accommodate the interests of various stakeholders to establish legitimacy and stay in business under the long-term conditions (Haladu & Bin-Nashwan, 2024).

By incorporating into the strategic approach, the SDGs, companies build stakeholder confidence and increase their reputation in the market, which, in its turn, translates into the capital structure as it becomes easier to access access to financing that is cheaper (Putri & Firmansyah, 2023; Surifah & Krismiaji, 2025). In addition, a high adherence to the SDGs can minimize regulatory and reputational risks to enhance the stability of capital and the general financial resilience (Masruddin et al., 2025). As a stakeholder theory, SDG disclosure enlarges the scope of the stakeholders of the firm and increases financing opportunities, providing more flexibility in obtaining a perfect capital structure (Putri & Firmansyah, 2023). The companies have a duty of accountability in exchange for such benefits by offering clear information to stakeholders (Surifah & Krismiaji, 2025). Contrastingly, the agency theory offers a complementary approach because it presents the use of leverage as a disciplinary tool to reduce conflicts of interest between the managers and shareholders (Jensen & Meckling, 1976). The agency costs occur because managers may act in their self-interest at the expense of effective investment decisions, or wealth transfer occurs between the bondholders and shareholders (Jensen, 1986).

According to the theory, it is where the agency cost of debt and equity is balanced that an optimal capital structure is attained. A company that has a high amount of free cash flow can be risky in terms of over-investment or excessive expenditure; therefore, the use of debt instills financial discipline and minimizes agency costs of free cash flow (Vural-Yavas, 2016). In addition, the agency theory highlights the nature of disclosure, such as disclosure practices that are leveraged by leverage, as an important tool to reduce information asymmetry and enhance oversight of managerial actions (Barnawi &

Abdullah, 2023). The connection between the disclosure related to SDGs and the capital structure is complex, and the existing empirical research has yielded contradictory results (Haladu & Bin-Nashwan, 2024). On the one hand, certain studies indicate that the high level of leverage can have a negative effect on sustainability disclosure because high debt ratios tend to limit companies facing financial limitations because of which they cannot cover the extra expenditure on sustainability reporting (Al-ahdal et al., 2024; Arena et al., 2023; Putri & Firmansyah, 2023). This can be because with high leveraged companies they are more concerned with financial stability and debt service requirements than social and environmental responsibility (Masruddin et al., 2025). Other studies have, however, reported no relevant relationship between leverage and the quality of SDG disclosure in certain industries like the oil and gas industry or in non-service firms in Nigeria, and this implies that the quality of SDG disclosure is moderated by industry characteristics (Arena et al., 2023; Chinda & Joseph, 2025; Kulsum, 2025). On the other hand, it is partially observed that the companies listed in the sustainability indices are more likely to have more long-term debt to utilize tax breaks and thus align their financial strategies with their sustainability performance (Vural-Yavas, 2016).

In addition, creditors can also actively contribute to sustainability by urging companies to be responsible in relation to the environment, economy, and society, which will contribute to better sustainability of the business in the long term (Surifah & Krismiaji, 2025). In line with this perception, a research study that was undertaken in Saudi Arabia established that financial leverage has a positive and significant impact on corporate practices in regard to SDG reporting (Al-ahdal et al., 2024). In particular, the financial leverage in terms of debt-to-equity ratio and debt-to-total assets ratio was found to be positively and statistically significantly related to SDG disclosure levels. This means that not only do creditors affect the capital structure of firms, but they should also encourage firms to be more responsible when handling the sustainability issue, which increases their long-term sustainability and the relationship they have with their stakeholders (Surifah & Krismiaji, 2025).

In formal terms, this hypothesis is the following:

H4: Sustainable Development Goals disclosure level is positively and significantly related to better capital structure efficiency.

Chapter Two

Research Methodology

2.1 Study Sample and Data Collection

The study aims to examine the influence of Sustainable Development Goals (SDG) disclosure on the corporate value, financial performance, environmental, social, and governance (ESG) outcomes, and capital structure. The empirical study will focus on European firms that will report SDG-related activities between 2019 and 2023. The data source will be relevant databases, that is, Asset4-Refinitiv Eikon, which provides comprehensive and reliable financial and sustainability data of publicly traded companies. The sample will consist of businesses across different industries to ensure that a large number of people are represented, and its findings will be more generalizable. The availability and structure of the data, trends in SDG disclosure during the research period by the companies, and various other aspects will also be considered during hypothesis selection.

2.2 Research Variables and Measurement

The section presents the variables of the study and describes the measurement of each. Independent variable SDG disclosure (SDG-D) means the level/degree to which the organizations can disclose their activities, impacts, and contributions regarding the SDGs in their disclosure to the external audience (Hope, 2020). It is the habit of publishing the news about the sustainability activities to signal the concern about sustainable development and planetary guidelines (Bose & Khan, 2022). SDG disclosure is primarily meant to enhance the level of transparency, accountability, and stakeholder involvement through tracking sustainability performance and alignment with the SDGs (Ozili, 2023). In this research, SDG disclosure was quantified through the GRI standards that take into consideration 17 SDGs. The GRI indicators were allotted to every SDG as reported in past research (Ardillah, 2022; Bose et al., 2024; Wahyuningrum et al., 2022). A binary scoring approach was used, 1 was recorded when a company provided SDG-related information as indicated by the applicable GRI indicators in its sustainability report, 0 otherwise.

On the other hand, the study examines how affects SDGs Disclosure is a binary indicator (1 for disclosure, 0 otherwise), Firm Value is measured by Tobin's Q (the sum of the market value of equity and debt, divided by total assets), Financial Performance is assessed using Return on Equity (ROE), ESG Score is the combined score from Refinitiv Eikon, and Capital Structure is determined by leverage (total debt divided by total assets). Control variables in this study include return on equity, firm size, leverage, and sales growth. Larger firms are often more visible and attract greater scrutiny regarding their sustainability disclosure from the public and government, and larger firms may also enjoy economies of scale, which can lead to improved firm value (Bose et al., 2024). Some studies predict this to have a positive impact on SDG disclosure. One study found that larger firms provide a higher level of SDG disclosure. Another study found that larger firms are more likely to report on the SDGs (Bose et al., 2024; Hummel & Szekely, 2022). A higher debt-to-equity ratio is considered riskier for firms, indicating that growth is financed by debt rather than shareholder capital. A lower leverage ratio indicates a lower likelihood of default (Saha et al., 2024).

Lawati & Hussainey (2022), including audit quality, indicate that the financial statements are examined according to appropriate guidelines to arrive at reasonable judgments that the financial report is free of material misstatements. High audit quality aims to ensure the transparency of stakeholders' financial reporting. Revenue growth describes a company's total revenue from the sale of goods and services over time and shows how rapidly a company's top-line profits are increasing (Saha et al., 2024). Corporate governance variables are a key component of this research to understand the factors that influence sustainability disclosure or the achievement of sustainable development goals. These variables include measures such as the size and composition of the board of directors or its committees, as well as broader aspects of the governance structure (Lawati & Hussainey, 2022). Previous research has shown that larger, more profitable companies with greater resources, capabilities, and expertise, and stakeholder pressure for transparency, are more likely to invest in sustainability initiatives and reporting, and thus tend to disclose more information about their SDG-related activities (Lawati & Hussainey, 2022; Saha et al., 2024). Furthermore, these companies seek to enhance their reputation and comply with regulatory requirements, and have stronger governance

structures and organizational cultures that prioritize long-term sustainability goals (Ardillah, 2022; Bose et al., 2024).

Table 1 below presents variables, their types, measurements, and literature sources.

Table (1)

Study variables and measurements

Variable Name	Label	Type	Measurement	Ref
SDGs Disclosure	SDGs-D	independent	Dummy variable equal to 1 if the firm discloses SDG, 0 otherwise.	(Bose et al., 2024; Wahyuningrum et al., 2022)
Firm Value	FV	Dependent	Tobin's Q = (Market Value of Equity + Book Value of Debt) / Total Assets	(Bose et al., 2024; Cahyaningtyas et al., 2020; Pamungkas & Meini, 2023)
Financial Performance	FP	Dependent	Return on Equity (ROE)	(Lawati & Hussainey, 2022; Ramos et al., 2022)
ESG Score	ESGs	Dependent	ESG Combined Score from Refinitiv Eikon	(Radu et al., 2023; Ramirez et al., 2022)
Capital Structure	CS	Dependent	Leverage = Total Debt / Total Assets	(Al-ahdal et al., 2024; Chinda & Joseph, 2025)
Return on Equity	ROE	control	ROE = Net Income / Shareholders' Equity	(Lawati & Hussainey, 2022)
Firm Size	F-Size	control	Logarithm of the total assets of the firm	(Hummel & Szekely, 2022; Saha et al., 2024)
Leverage	LEV	control	Total Debt / Total Assets	(Bose et al., 2024; Lawati & Hussainey, 2022)
Salas Growth	SG	control	$((\text{salas}_t - \text{salas}_{t-1}) / \text{salas}_{t-1}) * 100\%$	(Saha et al., 2024)
Governance Score	GS	control	Size and independence of the board of directors	(Lawati & Hussainey, 2022)

2.3 Research Model

This study examines the impact of SDG disclosure on multiple consequences for corporate results. The models seek to explore whether SDG disclosure contributes to enhanced firm value, financial performance, ESG ratings, and capital structure, taking into account internal firm characteristics and governance structures. Therefore, the following models are used:

$$FV = \beta_0 + \beta_1 \text{SDGs-D} + \beta_2 \text{ROE} + \beta_3 \text{F_Size} + \beta_4 \text{LEV} + \beta_5 \text{SG} + \beta_6 \text{GS} + \varepsilon \quad \dots(1)$$

$$FP = \beta_0 + \beta_1 \text{SDGs-D} + \beta_2 \text{F_Size} + \beta_3 \text{LEV} + \beta_4 \text{SG} + \beta_5 \text{GS} + \varepsilon \quad \dots(2)$$

In this model, return on equity is excluded, since financial performance is measured by profit-based metrics that conceptually and statistically overlap to some extent with return on equity, and therefore, including it would not only make it redundant, but would also introduce bias into the estimates:

$$\text{ESGs} = \beta_0 + \beta_1 \text{SDGs-D} + \beta_2 \text{ROE} + \beta_3 \text{F_Size} + \beta_4 \text{LEV} + \beta_5 \text{SG} + \beta_6 \text{GS} + \varepsilon \quad \dots (3)$$

$$\text{CS} = \beta_0 + \beta_1 \text{SDGs-D} + \beta_2 \text{ROE} + \beta_3 \text{F_Size} + \beta_4 \text{SG} + \beta_5 \text{GS} + \varepsilon \quad \dots (4)$$

Since the capital structure is defined primarily through the use of leverage, it was necessary to remove LEV from the model because of the potential for excessive redundancy of the capital structure with leverage, due to the linearity of the two variables.

Where:

SDGs-D = Sustainable Development Goals Disclosure

β_0 = Constant

FV = Firm Value

FP = Financial Performance

ESGs = ESG Score

CS = capital structure

ROE = Return on Equity

F_Size = Firm Size

LEV = Leverage

SG = Sales Growth

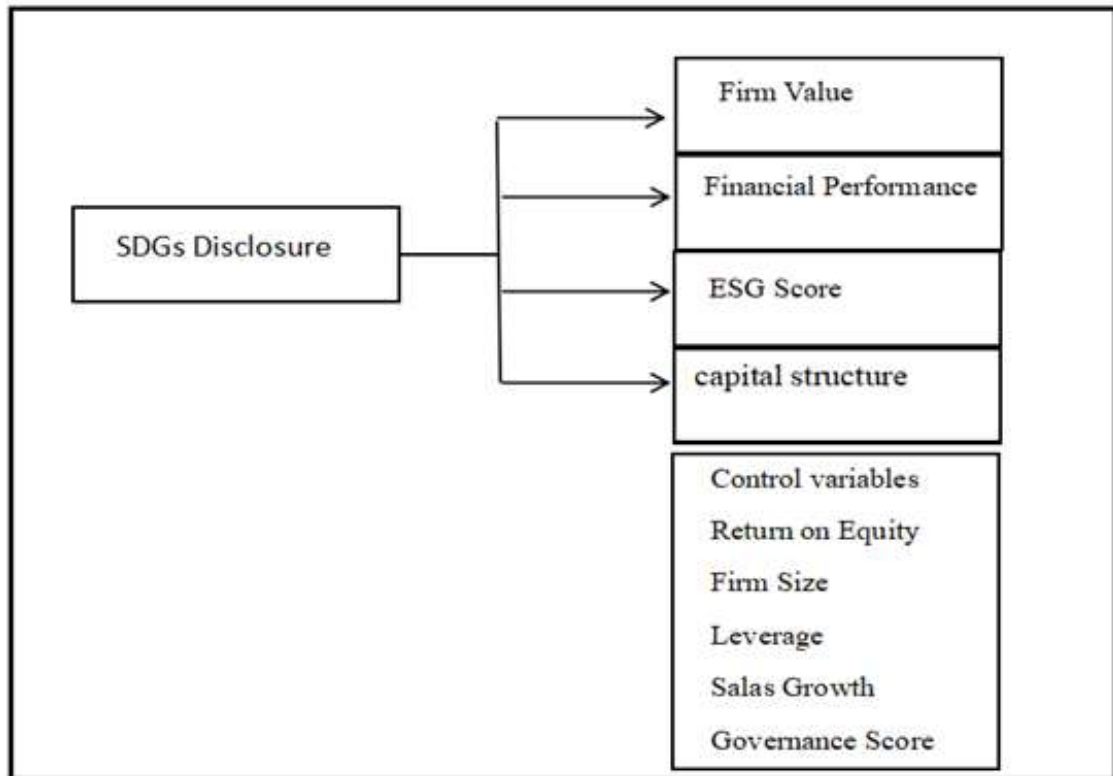
GS = Governance Score

ε = Errors

The study model and the relationship between variables are represented by Figure 2 below:

Figure (2)

Study Model



Source: Researcher constructed.

Chapter Three

Results and Discussion

3.1 Descriptive Statistics

This section presents the descriptive findings of the study variables. It displays the average, standard deviation, minimum, and maximum of each variable.

Table (2)

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
SDGs-D	6787	0.29	0.308	0	1
FV (Tobin's Q)	6787	1.949	3.28	0.30	8.127
FP (ROE)	6787	5.501	31.751	-36	61.3
ESGs	6787	51.734	21.468	10.42	95.73
CS (LEV)	6787	0.216	0.175	0.05	0.956
F-Size	6787	13.884	2.003	8.779	19.06
Sales growth	6787	0.554	23.272	-50.171	100.00
governance score	6787	53.078	22.464	7.24	98.57

The descriptive statistics table represents the properties of the study sample with 6,787 firm-year observations. The mean SDGs disclosure (SDGs-D) is 0.29, which means that on average, companies report less than one-third of the SDGs. The lowest score of 0 denotes that there are firms that do not disclose anything about the SDGs, and the highest score of 1 denotes that only a few firms report on all their SDG-related endeavors in detail. The average value of Firm Value (FV) calculated using Tobin Q is 1.949, implying that, on average, the market values of the sampled firms are almost half the book value of the sampled firms, indicating that the investors perceive the sampled firms positively. Nevertheless, the standard deviation (3.28) is rather high, and the gap of 0.30 to 8.127 is the demonstration that the valuation of firms in the sample is quite diverse. Financial Performance (FP), which is a minorized ROE, is an average of 5.501 with a high standard deviation (31.751), which shows a significant variance in profitability among the companies, with a range of between -36 and 61.3. The large spectrum implies the existence of financially strained and highly profitable businesses in the sample. The mean

ESG analysis comes to 51.734, and its standard deviation is 21.468, which means that the sampled firms vary in their preference and assimilation of sustainability practices. Capital Structure (CS) means that the average leverage is 0.216, which means that the firms are, on average, less dependent on debt financing than on equity. The lowest leverage of 0.05 and the highest leverage of 0.956 indicate that there are certain companies with conservative capital structures, but there are also companies with high leverage. As to Return on Equity (ROE), it is used as a control variable to indicate the efficiency of the firm in terms of its profitability. The findings are broadly dispersed, which proves that the levels of financial performance of firms are not homogeneous. The mean value of the F-Size (F-Size) is 13.884 with a low standard deviation (2.003), which means that the majority of the firms included in the sample are medium to large-sized corporations. The leverage (LEV) also exhibits a similar distribution pattern with the same capital structure, resulting in variation in the financing decisions of firms. The Sales Growth (SG) is 0.554, which is nearer to zero, but the large standard deviation (23.272) and wide dispersion (-50.171) to 100 demonstrate that there are great variations in the sales performance, which might be caused by industry or market fluctuations. Lastly, the Governance Score (GS) has a mean of 53.078 and quite a high standard deviation (22.464), which indicates that, although a high number of firms attain a fair quality of governance, there is significant variation in governance practices. All in all, the descriptive statistics indicate that there is a lot of heterogeneity among the firms in terms of financial performance, disclosure of sustainability, and the quality of governance. This heterogeneity explains why regression analysis should be used to elaborate on the differences that were observed among firms.

3.2 Correlations Matrix

A correlation matrix is a table used to illustrate the strength and direction of the relationship between two or more variables and also used to analyze how a variation in one variable would affect another variable.

Table (3)*Correlations Matrix*

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) FV (Tobin's Q)	1.000							
(2) FP (ROE)	0.109	1.000						
(3) ESGs	-0.131	0.166	1.000					
(4) CS (LEV)	-0.198	-0.179	0.191	1.000				
(5) SDGs-D	-0.110	0.141	0.552	0.155	1.000			
(6) F-Size	-0.290	0.166	0.713	0.305	0.501	1.000		
(7) Sales Growth	0.011	-0.077	-0.027	-0.012	-0.021	-0.035	1.000	
(8) Governance Score	-0.080	0.100	0.769	0.131	0.347	0.503	0.001	1.000

The correlation matrix provides some of the first impressions of the correlation between the major variables of the analysis. The proxy of market-based firm performance, Q, has weak negative relationships with the ESG score, SDGs disclosure, the firm size, leverage, and governance score. The weak and negative correlations indicate that market value is not necessarily a reward of sustainability practices or a quality of governance in this sample and this may indicate that investors are more biased towards financial ratios than sustainability practices. The positive correlation between ROE and SDGs disclosure (0.141) and ESG score (0.166) and governance score (0.100) is weak, implying that more sustainable and governed firms may gain slightly better accounting-based performance. Nevertheless, the coefficients are low, which means that the relationship is not very strong at the level of correlation. The ESG score shows the best associations in the matrix particularly, with governance score (0.769) and firm size (0.713), which is that in addition to being a common aspect in larger firms whereby better governance structures are enacted, an increased and more committed involvement with overall sustainability performance is played by the ESG score. There is also a medium correlation between the SDG disclosure and the ESG score (0.552), as well as the firm size (0.501), which once again confirms the idea that disclosure quality increases a deeper commitment associated with organizational capacity and the level of governance maturity. The leverage is also weakly positively related to sustainability variables with a moderate correlation; thus, only high-debt firms can use sustainability reporting to achieve credibility with lenders/investors on the basis of market indicators. Correlations of sales growth were

weak-to-almost-negligible across the table, which implies that obtaining short-term market variables does not depend on increased sustainability or improved governance. In general, there are convincing relationships to sustainability and governance, and firm size represented in the matrix, but it seems that market performance and accounting performance share less with these non-financial indicators. This gives even greater reason to do regression analysis to have further insight into whether the sustainability drivers do make value, other than the fact that the two are associated.

3.3 Regression Results and Testing Hypotheses

Table (4)

Results of Regression of the Effect of SDGs Disclosure on the Firm Value, Financial Performance, ESG Performance, and Capital Structure

Models	(1)	(2)	(3)	(4)
VARIABLES	FV (Tobin's Q)	FP (ROE)	ESGs	CS (leverage)
SDGs Disclosure	0.394*** (0.131)	4.755*** (1.823)	11.16*** (0.685)	0.0169** (0.00914)
ROE	0.0151*** (0.00240)		0.0214*** (0.00575)	-0.00119*** (0.000110)
Firm size	-0.390*** (0.0535)	3.550*** (0.428)	4.010*** (0.130)	0.0211*** (0.00162)
CS (LEV)	-1.127*** (0.238)	-51.34*** (5.130)	-0.840 (1.211)	
Sales Growth	-6.4105 (0.000746)	-0.0813*** (0.00700)	-0.00813*** (0.00310)	-9.14e-05*** (2.12e-05)
Governance Score	0.00545** (0.00350)	0.00613** (0.0270)	0.517*** (0.00953)	6.80e-05 (0.000131)
Year fe	Yes	Yes	Yes	Yes
Country fe	Yes	Yes	Yes	Yes
Industry fe	Yes	Yes	Yes	Yes
Constant	10.38*** (1.641)	-87.73*** (11.61)	-37.59*** (1.557)	-0.210*** (0.0197)
Observations	6,787	6,787	6,787	6,787
R-squared	0.194	0.167	0.793	0.236

Note: Robust standard errors in parentheses.

*** p<0.01, ** p<0.05, *p<0.1.

Table 4 presents the results of the panel regression analysis of the impact of SDGs disclosure on firm value, financial performance, ESG performance, and capital structure.

The analysis uses the Pooled OLS regression model to estimate the relationship between the variables. Reported standard errors are in parentheses, and statistical significance is denoted by asterisks, whereby *** indicates significant at 1 percent, ** indicates significant at 5 percent, and the last one, significant at 10 percent. Model (1) results indicate that SDG disclosures are positively and statistically significantly correlated with firm value, as measured by Tobin Q. The coefficient (0.394***) indicates that the market rewards firms with elevated sustainability disclosures. Investors are placing a growing premium on sustainability practices and transparency as indicators of responsible management and reduced long-term risk. This observation aligns with the stakeholder theory, which states that the greater the satisfaction of social expectations, the higher the reputation. Moreover, positive responses in the stock market show that those companies whose sustainability efforts are reported to be underway are likely to get improved cash flows in the long run and be competitive. The fact that the relationship has been found to be significant at the 1 percent level supports the strength of the relationship. In addition, the SDG disclosures are also a powerful indicator of market value, despite the fact that the control variables of firm size, leverage, and growth are incorporated. Sustainability communication appears to have a positive effect on the value of firms in relation to the growing interest of institutional investors in ESG-based investments. The growth in the demand for the stocks due to more interest taken by institutional investors increases the value multiple of the asset. Also, the disclosure increases the level of transparency, which reduces the information asymmetry between the firms and their investors. This observation is in tandem with the prior studies, which were conclusive that sustainability disclosure reduces uncertainty in the capital markets. Thus, H1 is supported by the findings, which demonstrate that disclosures of SDGs contribute to the improvement of the capital markets by increasing the value of the firms. According to the results of Model (1), SDG disclosures positively and significantly impact the value of firms in terms of the existence of SDG disclosures in the form of the Tobin Q, which is in line with the theoretical view that a firm should constantly react to the external impacts and social demands to gain future strategic benefit (Gao et al., 2016; Porter & Kramer, 2011). Firm value can be associated with the investor's belief about the successful functioning of a firm and its capability to generate opportunities in the future, and the positive correlation between SDG disclosures (0.394**) indicates that sustainability transparency can raise the market confidence and the certainty of investors concerning profitable functioning in

a long-term perspective. This implies that in capital markets, the investors are increasingly considering companies on the basis of criteria that are virtually all of a financial nature and adherence to responsible behavior as a tool to reduce long-run risk. The same finding is also in line with the stakeholder theory, as the degree of satisfaction with the social expectations enhances reputation, minimizes information asymmetries, and attracts investors who will regard themselves as supportive. Further, the assertion that SDG disclosure has continued to be material, despite the inclusion of firm size, leverage, and growth, illustrates its strength as a value driver in the capital markets. The research result is consistent with the works of Bose et al. (2024); Cahyaningtyas et al. (2020); and Lopez-Perez et al. (2017), which find that sustainability-related communication is a positive factor in market valuation due to its indication that a company can have a competitive edge and be able to grow in the future. The results also confirm the position of Gunawan & Mayangsari (2015) that sustainability reporting improves the legitimacy and demand among investors. In its turn, our results contradict the works of Pamungkas & Meini (2023); and Pratami & Jamil (2021), which found a negative or no effect due to uneven reporting of findings and the inability to follow the international standards. We are optimistic that the high level of significance in the 1 per cent mark of this research informs us that in cases where sustainability is reported meaningfully and in line with SDGs, the market would react positively. Finally, the empirical results support the hypothesis H1 greatly; SDG disclosure positively impacts value by creating trust with investors, minimizing investor uncertainty, and enhancing performance expectations in the long run. According to model (2), SDGs disclosure has a positive effect on ROE, and the coefficient of (4.755**) at the 5% level is positive. This means that sustainability has the potential to enhance profitability. The reason why this happened could be attributed to the fact that the companies that promote SDGs will adopt effective policies regarding the use of resources that would translate into reducing costs and enhancing the efficiency of operations. Moreover, the fit between the strategies and sustainability goals will enhance customer loyalty and brand differentiation, but might also translate into higher revenue. The positive coefficient implies that the more proper governance practices and the corresponding minimization of compliance risk or reputational risk can build stronger financial stability. Moreover, the positive correlation shows that sustainability brings positive aspects to the long-term investors and opportunities for cheaper financing. Finally, the existence of control variables in the model implies the independent role

played by SDGs disclosure impact on financial performance. Thus, it proves that H2 is true, and working with the SDGs helps to increase profitability and improve financial position.

The results of Model (2) indicate that the positive correlation between SDG disclosure and ROE is statistically significant (4.755**), which implies that a sustainability commitment enhances profitability through increased efficiency in operations and better utilization of resources. This is consistent with the argument of the theoretical lens, which explains that companies are becoming increasingly ready to embrace SDGs when they agree that SDGs can be used to enhance financial performance and sustainable survival over the long term (Lawati & Hussainey, 2022; Saha et al., 2024). ROE reflects the activities of the investors in assessing the financial performance of the corporations; thus, the positive coefficient means that a high degree of transparency in the sustainability activities means better governance, less compliance risk and reputational risk, and long-term investors will be willing to finance the corporation at low cost. This is relative to legitimacy, given that companies have concrete financial advantages whenever they release their social responsibility and are sensitive to the stakeholders' relations. The findings are consistent with other studies (Alshehhi et al., 2018; Izzo et al., 2020; Jawaad & Zafar, 2020; Khaled et al., 2021), which have discovered that the implementation of SDGs positively affected profits because of the enhancement of efficiency, trust, and credence in the market, and organizational commitment to SDGs. The same was seen with regard to financial institutions implementing SDGs that showed improved financial performance and commitment to the organization (Lawati & Hussainey, 2022). Moreover, the results confirm that one of the arguments is that sustainability may cause innovation and increased brand affinity, which results in revenue and financial performance increases. Nevertheless, the results do not support the trade-off view, according to which the adoption of sustainability practices, including SDGs, can reduce the performance of conducting profit-generating activities and thus lead to lower financial performance (Dewi & Pinem, 2023; Lawati & Hussainey, 2022). This research is also opposite to other researchers, who did not reveal the statistically significant effects of the SDGs disclosure (Ramos et al., 2022). Overall, the results confirm H2 and indicate that SDG disclosure positively affects profitability and its financial performance, in general.

Model (3) showed a positive coefficient (11.16) between SDGs disclosure and ESG performance, which implies that those companies that disclose more on SDGs do well in sustainability ratings. Though the level of significance is at the 10 percent mark, the effect remains economically relevant. These conclusions indicate that ESG rating companies recognize and compensate for sustainability transparency. It is possible that companies that adequately report progress of the SDGs offer more effective overall environmental management, social engagement, and governance sustainability. This association implies that disclosure is more than a performance, but it is a pointer to better actual sustainability practices. This also confirms the idea that SDGs reporting enhances the trust of the stakeholders in the company. Model (3), however, is less significant, which can suggest that not all companies are voluntarily disclosing the SDGs or simply lack consistency in their assessment of rating companies. Nevertheless, the high explanatory power of Model (3) ($R^2 = 0.793$) does confirm the importance of SDGs disclosure in affecting the ESG scores. This observation aligns with the integrated reporting theory, according to which pervasive sustainability reporting helps to enhance transparency and accountability. In such a manner, the conclusions of H3 are partly true, and even though minimum disclosure quality does contribute to continuous sustainability assessment and holding companies liable, it would probably be improved with higher disclosure quality. The positive correlation between SDG disclosure and ESG performance is observed in model (3), and the positive coefficient (11.16) implies that the greater the transparency in questions of SDGs, the greater the sustainability ratings. The statistical significance is significant at the 10 percent level, but the coefficient is also economically significant, which indicates that the sustainability practices of companies are communicated and appreciated by ESG rating agencies. This result confirms the theoretical basis of ESG as a framework that may turn sustainability into measurable performance outputs as well as ratchets the level of seriousness with which investors analyze the environmental, social, and governance practices of companies (Bele et al., 2023; MacNeil & Esser, 2022). Moreover, the model is highly explanatory ($R^2 = 0.793$), which serves to support the idea that SDG disclosure is a sensible predictor of sustainability ratings and the theory of integrated reporting, which states that transparency leads to accountability and stakeholder confidence. These findings are in line with the literature that has found that higher levels of commitment to the SDGs can lead to superior ESG performance (Sadiq et al., 2023; Sasaki, 2020), meaning that a company that is determined to align its strategy

with that of global objectives is more successful in ensuring sustainable development. The results are also consistent with evidence that firms that integrate SDGs into their reporting demonstrate responsible practices and mitigate information asymmetry (Radu et al., 2023). However, the low significance does provide empirical support for previous cautions that SDG disclosures might still be selective, symbolic, or differ across firms, limiting their influence on sustainability outcomes (Ferrero-Ferrero et al., 2023; Manes-Rossi & Nicolo, 2022; Mhlanga et al., 2018). Research that indicates limited links between SDG disclosure regulation and county-level SDG performance highlights the inconsistencies in quality and rigour that disclosure translates into meaningful sustainability action (Plastun et al., 2020). Thus, these results offer partial support for H3 and suggest that, while the disclosure of SDGs is positively correlated with improved ESG performance, further improvements in the quality and verification of disclosed initiatives, commitments, and positive actions are needed to enhance accountability and actual sustainability impacts.

According to the regression results from Model (4), SDGs disclosure has a positive and statistically significant effect on leverage (coefficient = 0.0169, significant at the 5% level). This indicates that sustainability disclosure may have a modest but meaningful influence on firms' financing decisions. The positive relationship suggests that sustainability transparency can enhance firms' credibility and reduce information asymmetry between companies and external stakeholders, including lenders. As a result, lenders may gradually consider sustainability information alongside traditional financial ratios when assessing corporate debt capacity.

Furthermore, although firms' capital structure decisions usually involve long-term strategic considerations, improved sustainability disclosure may contribute to strengthening stakeholders' confidence and supporting access to external financing. Sustainability reporting can also signal responsible corporate governance and long-term commitment to environmental and social objectives, which may positively influence lenders' perception of corporate risk.

In some cases, firms may still rely on internal financing to support sustainability initiatives; however, transparent SDGs disclosure can improve corporate reputation and financial credibility, thereby facilitating access to debt financing when required. The

positive association between SDGs disclosure and leverage, therefore, aligns with stakeholder theory, which suggests that enhanced transparency regarding sustainability practices can strengthen stakeholder trust and improve firms' access to financial resources (Putri & Firmansyah, 2023; Surifah & Krismiaji, 2025). Moreover, these findings are consistent with previous research indicating that sustainability disclosure can contribute to lowering the cost of capital and improving firms' ability to obtain external financing (Chen et al., 2023; Dhaliwal et al., 2011; Eliwa et al., 2021). Similarly, studies such as (Al-ahdal et al., 2024) suggest that greater sustainability transparency may enhance lenders' confidence and positively influence corporate financing conditions.

Nevertheless, although the relationship is statistically significant, the relatively small magnitude of the coefficient indicates that SDGs disclosure plays a supporting rather than dominant role in determining firms' capital structure decisions. Corporate leverage choices remain influenced by several financial factors, including profitability, firm size, growth opportunities, and financial stability. Therefore, while sustainability disclosure can improve financing conditions, traditional financial indicators continue to be important determinants of lending decisions (Arena et al., 2023; Chinda & Joseph, 2025; Kulsum, 2025).

Overall, the results support Hypothesis H4, indicating that SDGs disclosure has a positive and statistically significant effect on firms' capital structure. This finding highlights the growing relevance of sustainability transparency in financial markets and suggests that lenders are increasingly beginning to incorporate sustainability considerations alongside traditional financial metrics when evaluating firms' borrowing capacity.

The outcomes of the four regression models provide an overall picture of the effects of SDGs disclosure on different aspects of corporate performance. The results show a statistically significant positive relationship between SDGs disclosure and firm value as well as financial performance, indicating that sustainability transparency can generate tangible economic benefits for both firms and investors. Furthermore, the positive association with ESG performance suggests that firms that actively adopt and disclose SDGs initiatives are also more likely to achieve stronger environmental, social, and governance performance. These findings indicate that sustainability practices are increasingly becoming an important determinant of corporate competitiveness.

In addition, the results reveal a positive and significant relationship between SDGs disclosure and capital structure, suggesting that sustainability transparency may also contribute, to some extent, to improving firms' access to external financing. This implies that lenders and financial institutions may gradually begin to consider sustainability disclosure alongside traditional financial indicators when evaluating corporate borrowing capacity.

Overall, the findings highlight the strategic importance of SDGs disclosure in enhancing market perception, profitability, sustainability ratings, and firms' financing opportunities. These results also support the role of transparency in reducing information asymmetry and strengthening corporate reputation among key stakeholders.

To maximize the benefits of SDGs disclosure, companies should improve the quality and consistency of their sustainability reporting by aligning their disclosures with internationally recognized standards. Regulators and policymakers may also encourage more standardized sustainability reporting practices to enhance comparability and reduce the risk of greenwashing. In addition, financial institutions may consider incorporating sustainability performance indicators into their lending assessment frameworks.

Future research may further examine whether long-term engagement with SDGs initiatives can have a stronger influence on firms' capital structure decisions over time. Overall, SDGs disclosure is not merely a reporting requirement but rather a strategic mechanism that can enhance corporate performance, credibility, and long-term value creation.

Chapter Four

Conclusion and Recommendations

4.1 Conclusion

The perception of companies has been transformed due to the increased knowledge of their duty in the service to society, the environment, and the economy. The stakeholders should collaborate to deal with the prevailing and arising financial and economic challenges (United Nations, 2020). In order to correct these problems, in 2015, the UN introduced the Sustainable Development Goals (SDGs) with a goal of fostering a more sustainable lifestyle, as the 2030 Agenda. The interconnection of governance and the SDGs has also become a burning issue in the current corporate world. The successful implementation of sustainability action in corporate governance frameworks is becoming more popular as a solution to enhancing transparency and promoting the SDGs (Bose et al., 2024).

The study will focus on the effect of SDG reporting on corporate value, financial performance, ESG scores, and capital structure of European firms between the years 2019 and 2023. The results show comprehensive evidence of the impact of the sustainability transparency on the different aspects of corporate performance and show the weak and strong relations between SDG reporting and corporate outcomes. On a bigger scale, this indication is that SDG reporting is not just an accountability or symbolic gesture, but a real gift with economic and reputational significance, provided done with integrity. The positive relationship between SDG reporting and corporate value was found to be very significant and positive, as shown in Model 1, and lots of previous theoretical and empirical studies on sustainability finance are in agreement with the present finding. The stakeholder theory states that transparent sustainability reporting can ensure that companies are able to provide such information regarding long-term strategic commitments, thus reducing the information asymmetry and drawing investors who compensate for the insight (Erin et al., 2022; Tagliatela et al., 2023). On the same note, the agency theory aids this attribute of corporate value by SDG reporting by holding that by creating an account in line with SDGs, businesses can address the expectations of all stakeholders and facilitate perceived responsibility (Lambert et al., 2007). These arguments are supported by research: in particular, Bose et al. (2024) found that ESG

disclosure has a positive impact on the value of the firm according to the Q model of the Tobin model, and has been justified by the stakeholder theory. On the same note, the value creation studies also indicate that greater ESG performance has a positive relationship with the Q model of Tobin, which is in agreement with the stakeholder theory. Moreover, the existing studies indicate that the positive effects of sustainability reporting can be realized in the future (Bose & Khan, 2022). It was observed that although reporting can be expensive in the short term, it will have a good long-term indicator as the investors get to learn to interpret it with time. As to SDG reporting in particular, a recent literature review suggested that SDG reporting can positively affect the value of the firm by providing a competitive advantage and greater transparency and trust in the relationship with the stakeholders (Pamungkas & Meini, 2023; Umasabor & Ogiedu, 2023). This is in line with the research that the tracking of SDGs decreases information asymmetry and value creation. Moreover, research on ESG disclosures has shown that the quality of governance disclosures is positively associated with stakeholder trust in such disclosures, which subsequently leads to an increase in the credibility of the disclosure and its power to impact value (Bele et al., 2023). Relativity of reporting and assurance has the advantage of making investors believe that a proclaimed and proclaimed sustainability is not a figment of imagination or merely a formality, and it underscores the need to have accountability and stakeholder governance in creating market value. In general, this robust positive relationship is consistent with the accumulating literature that transparency as a sustainability aspect (as well as other global models like the Sustainable Development Goals) can provide actual value in the financial markets, developing trust, lessening risk, and communicating strategy. The outcome of the Model (2) proved that there was a statistically significant positive correlation between the disclosure of SDGs by companies and their financial performance (ROE). Such findings are also in line with the increasing body of literature that emphasizes the importance of sustainability reporting, not only in terms of cost. The link between SDG disclosure and ROE was statistically significant and moderate, showing SDG disclosure is value-adding to the profitability (Dwomor & Mensah, 2024). Similarly, a European study carried out from 2019 to 2023, using a large scale, concluded that sustainability reporting was statistically significant and positively related to financial performance in line with the stakeholder theory. This theory is based on the idea that those companies that strive to report SDGs have a chance to improve relations with stakeholders, mitigate regulatory risks, and

increase financial returns (Erin & Bamigboye, 2021). This implies that by incorporating SDGs in appropriate contextually relevant ways into a company, the core corporate processes may be viewed as an implicit organizational capability that helps to generate innovativeness, operational effectiveness, and develop a robust corporate image.

Furthermore, research by the banking industry has given additional background research. The research on Indonesian banks reveals that the companies that reported on the SDGs had a better ROE, and it could be argued that the capital efficiency is advanced when the sustainability is articulated within the business strategy (Rendtorff, 2020). Based on the general literature on ESG, more specifically, the wider accounting-based financial indicators are vulnerable to non-financial reporting, in which case social and governance aspects tend to be the most affected (Soni, 2023; Vŭ Phong, 2024). Besides, empirical research on ESG shows that an increase in profitability can allow companies to invest in additional ESG projects that generate financial power that will result in improved disclosure, and subsequently, improved disclosure will result in increased financial power. Moreover, the strategic investment framework that you introduce is also backed by the research that has established the association between sustainability reporting and innovation and operational efficiency. Companies that embark on SDG-congruent business behaviors can end up enhancing their operations, cutting costs, and developing new business models that can increase their profits. Moreover, the stakeholder lens justifies the positive responses on the part of investors. Whenever investors witness the same company actively incorporating the SDGs into its business, the investors will have increased confidence in the ability of the company to manage non-financial risks and encourage long-term sustainability, thereby warranting a premium. Systematic research on SDG disclosures has also shown that content analysis of SDG disclosures explains the variation in the return on equity with a considerable degree of explanatory power (Hope, 2020; Lawati & Hussainey, 2022; Saha et al., 2024). Altogether, the results support and widen the studies, which state that reporting the SDGs, assuming its sincerity and significance, is not an aesthetic practice but a deliberate and effective act that can manifest itself in a meaningful and quantifiable financial result, in terms of enhanced efficiency, innovation, reporting, and investor trust. These tensions have been reflected in model (3), which shows moderate support of a positive (relatively weak) relationship between SDG disclosure and ESG performance. The transparency is rewarded by ESG rating agencies,

but the coefficient of the rating is relatively low, which indicates that when SDG information is disclosed, it does not result in a higher ESG score. The literature has suggested that ESG ratings differ among various agencies, and this has been investigated in the light of the methodological differences in general, which can eventually erode the added value of disclosure. Vũ Phong (2024) observed that the unequal structure of ESG ratings results in the fluctuation of the ESG ratings; this prevents companies not achieve the maximum gains that transparency can provide. In addition, the findings by Cahyaningtyas et al. (2020) indicate that the amount of disclosure matters, and the quality and form are also significant. These findings go in line with criticism that SDG disclosures are largely symbolic and can only be substantive when subjected to robust corporate assurance or validation. Studies show that in the absence of robust assurance or verification technology, SDG reporting may be considered a type of greenwashing, which has reputational risks to the credibility of the disclosed information to the agency community (Barnawi & Abdullah, 2023; Masruddin et al., 2025). In systematic reviews of ESG indicators and ESG performance, the researchers are of the view that the ESG indicators need to be standardized and reliably measured in a manner that the indicators have a sense in their company performance. There is also empirical evidence that shows a positive correlation between ESG performance and better financial performance, which indicates that ESG agencies compensate substantive indicators of performance (Kulsum, 2025). In addition to this, the agency problems complicate the relationship between the effect of disclosure and performance, but the company might also be inclined to strategically disclose to increase their ESG scores, which, however, would not result in a significant change in the practices; their competitive edge in terms of ESG rating would probably be only fringe. It is perhaps very apparent that the literature leads to the conclusion that quality and verification issues are limiting this relationship (Aifuwa, 2020; Taglialatela et al., 2023). In fact, regulators and stakeholders are called upon in the literature to demand more standardized, audited, or assured SDG disclosures to enhance their effectiveness. Altogether, the discovery is more subtle: the transparency impacts can be effective, but to see the effect, SDG disclosure requires firms to do transparency and reporting not only in volume but also with credibility, consistency, and an independent third-party audit. The results from Model (4) suggest that SDGs disclosure may have a modest but meaningful role in firms' capital structure decisions. Although debt providers traditionally rely on financial metrics such as leverage ratios, interest coverage, and cash

flow stability, transparent SDG reporting can enhance credibility and reduce information asymmetry between companies and lenders (Arena et al., 2023; Chinda & Joseph, 2025; Kulsum, 2025). Research indicates that banks are beginning to consider sustainability disclosures as supplementary information that complements traditional credit assessments, signaling long-term strategic commitment and responsible corporate governance (Masruddin et al., 2025; Rendtorff, 2020). Consequently, while SDG disclosure does not yet dominate capital structure choices, it supports firm value, profitability, and ESG performance, gradually strengthening lenders' confidence and contributing to more informed financing decisions. These findings highlight the emerging relevance of sustainability transparency in debt markets and suggest that, as practices evolve, SDG disclosure may increasingly influence corporate leverage decisions.

These findings have practitioner, regulatory, and policy implications: while we are observing shifts in business practices towards alignment with the SDGs, there is a further threat to move this beyond strategy and into financial decision-making and underwriting. To conclude on this, SDG disclosure is becoming a useful tool towards enhancing accountability and competitiveness in European markets. SDG disclosure has financial characteristics, but is incomplete without terms of enforcement, standardization, and institutional support. Subsequent studies can investigate the sectoral differences and divulgent and quality dimensions to assess the sectoral differences and to which the SDG Integration has a substantial effect on corporate change.

5.2 Recommendations

Based on findings of this study, the following recommendations would serve to offer empirical findings to guide practice, policy-wise, and strategically viable advice to businesses, regulators, investors, as well as financial institutions. The results of the four models indicated that SDG disclosure has a positive impact on firm value, profitability, and sustainability rating, but has limited effects on capital structure. These steps help to emphasize the achievements as well as the challenges that continue to face the application of sustainability when making financial decisions. According to the evidence sample, it was proposed that reporting on SDG of credible and good quality is significant in generating the most significant impacts on the market value and ESG performance, and that the challenges connected to verification, comparability, and standardization are the challenges to be overcome. It is clear that investors are becoming increasingly willing to

have more sustainability transparency, although lenders remain largely dependent on traditional financial measures, which demonstrates that the move toward the implementation of SDG indicators into credit markets is still in its infancy. This supports the necessity of a concerted action to strengthen disclosure practices, secure data assurance, and to create the capacity of organizations of both companies and financial actors to comprehend and utilize SDG-related data. The subsequent recommendations are thus aimed at (1) eliminating structural, regulatory, and informational obstacles that were established during the research, (2) enabling corporate sustainability practices and finance systems to align throughout time. The aggregate effect of such activities ought to provoke the integration of SDG principles into business strategy, investment choice, and policy, and allow a more concurring, articulate, and effective sustainability performance across markets:

1. Improve the quality of disclosures on the SDGs by using standardized reporting frameworks and measurable indicators for comparability and reliability across firms.
2. Indicate the SDG performance level in credit risk measurement to enable lenders to take the sustainability performance level into their capital structure and derived borrowing.
3. Enhance the external assurance procedure to establish the precision and genuineness of sustainability disclosures and curb symbolic and selective reporting.
4. Develop the ability of the corporate managers to agree on the operational practices with the SDGs and enhance the presentation of the notion of sustainability in a manner that reveals financial worth.
5. Promote minimum disclosure of the SDGs by the regulatory agencies to support better transparency and accountability in the disclosures of sustainability.
6. Develop a program to raise awareness among the investors about the financial relevance of SDG disclosures to create demand for transparency, leading to responsible investment practices.
7. Enhance cross-sector cooperation between corporations, financial institutions, and governments to assist in bridging sustainability disclosure and financing practice.
8. Adopt methods that pull the reporting of financial, ESG, and SDGs to a systematic process of making decisions.

9. Build long-term financial incentives, in either form of tax or green financing, to create stronger incentives to firms that incorporate SDGs into financial or operational strategy.
10. Stimulate further investigations of the quality disclosure, sectoral variations, and causation.
11. To ensure that sustainability performance is connected to financial and investment decisions and makes the performance more transparent, comparative, and sustainable, Arab countries should have a shared disclosure system of Sustainable Development Goals (SDGs) to enable standard reporting and link sustainability-related performance to financial and investment decisions.
12. Finally, it is important to enhance collaboration and coordination and encourage collaboration and partnership among all the stakeholders, including businesses, government departments, NGOs, and international organizations, to effectively meet and report on the Sustainable Development Goals.

List of Abbreviations

Abbreviations	Meanings
SDG	Sustainable Development Goals
SDGs-D	Sustainable Development Goals Disclosure
MDG	Millennium Development Goals
CSR	Corporate Social Responsibility
ESGs	Environmental, Social, and Governance ESG Score
GRI	Global Reporting Initiative
KPI / KPIs	Key Performance Indicator(s)
CS	Capital Structure
FP	Financial Performance
GS	Governance Score
UNGC	United Nations Global Compact

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جامعة النجاح الوطنية
كلية الدراسات العليا

تَبَعَاتِ الإفصاح عن أهداف التنمية المستدامة

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قدمت هذه الرسالة استكمالاً لمتطلبات الحصول على درجة الماجستير في المحاسبة بكلية الدراسات
العليا في جامعة النجاح الوطنية، نابلس - فلسطين.

2026

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الملخص

تهدف هذه الدراسة إلى تحليل الآثار الاقتصادية لإفصاح الشركات عن أهداف التنمية المستدامة، في ظل التركيز المتزايد على الاستدامة والمسؤولية الاجتماعية للشركات على مستوى العالم. تستند الدراسة إلى نظرية أصحاب المصلحة ونظرية الوكالة، اللتان تبحثان في أثر الإفصاح عن أهداف التنمية المستدامة على قيمة الشركة، وأدائها المالي، ومؤشر الحوكمة البيئية والاجتماعية والمؤسسية، وهيكلها الرأسمالي. تقدم هذه النظريات نموذجًا لكيفية تفسير الإفصاح عن أهداف التنمية المستدامة كأداة تستجيب بها الشركات لتوقعات أصحاب المصلحة، وتعزز شرعيتها، وتقلل من عدم تناسق المعلومات. تشمل الدراسة الفترة من 2019 إلى 2023، استنادًا إلى بيانات شركات مالية وغير مالية مدرجة في البورصة الأوروبية. تم الحصول على البيانات باستخدام قاعدة بيانات Asset4-Refinitiv Eikon، وبذلك احتوت على 6787 نقطة بيانات على مدى أربع سنوات لـ 1886 شركة. يأخذ التحليل في الاعتبار خصائص الشركة ومجلس إدارتها، مثل حجم الشركة، والرافعة المالية، ونمو المبيعات، ومؤشر الحوكمة، ونسبة العائد على حقوق الملكية. تُظهر النتائج التجريبية أن الإفصاح عن أهداف التنمية المستدامة يؤثر بشكل ملحوظ وإيجابي على قيمة الشركات وأدائها المالي، بالإضافة إلى مؤشر الحوكمة البيئية والاجتماعية والمؤسسية، ما يعني أن الشركات التي تُفصح بشكل أكبر عن أهداف التنمية المستدامة تُحقق نتائج أفضل في مجالي الاستدامة والحوكمة. وفيما يتعلق بهيكل رأس المال، تُشير النتائج إلى أن تأثير الإفصاح عن أهداف التنمية المستدامة محدود نسبيًا، ولكنه مع ذلك يُسهم في تعزيز ثقة أصحاب المصلحة وتسهيل خيارات التمويل، وهذا يعني أن الإفصاح عن

الاستدامة يتجاوز تدريجيًا المقاييس المالية التقليدية، ويصبح مكملاً لها في اتخاذ قرارات هيكل رأس المال للشركات. علاوة على ذلك، يتماشى هذا مع اختلاف استراتيجيات التمويل استجابةً لشفافية الاستدامة. يُمكن إضافة هذه النتائج إلى نظريتي أصحاب المصلحة والوكالة، لأنها تُشير إلى أن الإفصاح عن أهداف التنمية المستدامة يُعزز شفافية الشركات وأداء الاستدامة، وأن آثاره المالية تتوقف على تصورات السوق والأطر المؤسسية. بناءً على ذلك، تُقترح الدراسة أن تُركز الشركات بشكل أكبر على أهداف التنمية المستدامة، وأن تجعلها جزءاً لا يتجزأ من عملياتها الأساسية، بدلاً من الاكتفاء بممارسات الإفصاح الرمزية. يُقترح على صانعي السياسات والجهات التنظيمية أطر عمل أكثر وضوحاً وتوحيد لإعداد تقارير أهداف التنمية المستدامة، بهدف تعزيز قابلية مقارنة معلومات الاستدامة وموثوقيتها. وعلى الرغم من إسهامات هذه الدراسة، إلا أنها تنطوي على عدة قيود فالإطار الزمني للدراسة قصير نسبياً، ووجود جائحة كوفيد-19 التي ربما أثرت على سلوك الشركات في الإفصاح. إضافةً إلى ذلك، يعتمد التحليل على الإفصاح الإجمالي عن أهداف التنمية المستدامة دون دراسة كل هدف على حدة. لذا، يمكن إجراء دراسات لاحقة لتوسيع نطاق هذه الدراسة لتشمل أطراً زمنية أطول، وسياقات مؤسسية متنوعة، أو مؤشرات بديلة للإفصاح عن أهداف التنمية المستدامة ومؤشرات أداء الاستدامة.

الكلمات المفتاحية: الإفصاح عن أهداف التنمية المستدامة، قيمة الشركة، الأداء المالي، مؤشر الحوكمة البيئية والاجتماعية والمؤسسية، هيكل رأس المال.