

-RESEARCH ARTICLE-

SUSTAINABILITY AND GOING CONCERN IMPACTS ON FINANCIAL PERFORMANCE OF INDONESIA'S IDX-LISTED TOURISM AND HOSPITALITY FIRMS

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—Abstract—

Drawing upon signalling theory and stakeholder theory, this study investigates the impact of going concern opinions (GCOs) and sustainability reporting (SR) on the financial performance of tourism, hotel, and restaurant firms listed on the Indonesia Stock Exchange (IDX) between 2020 and 2023. Utilizing a balanced panel dataset comprising 32 companies (128 firm-year observations), fixed-effects regression models are employed to examine the direct effects of GCOs and the quality of SR on core financial indicators, namely return on assets (ROA), return on equity (ROE), and return on investment (ROI). The empirical findings indicate that GCOs significantly reduce financial performance by approximately 2.1–4.3 % in terms of profitability, supporting signalling theory's proposition that signs of financial distress diminish market confidence. Conversely, sustainability reporting exerts a significant positive influence on financial performance, consistent with stakeholder theory, which asserts that enhanced disclosure practices contribute to increased firm value. Furthermore, the study reveals that regulatory enhancements in SR requirements after 2021 have amplified these effects, underscoring the importance of policy frameworks in shaping disclosure outcomes. Accordingly, the findings suggest that policymakers should consider the adoption of global sustainability reporting standards to mitigate risks while simultaneously improving financial performance. This research contributes to the existing body of literature by offering empirical insights into the financial implications of audit and sustainability disclosures within the context of an emerging tourism, hotel, and restaurant sector.

Keywords: Sustainability, Financial Performance, Going Concern Opinions, Tourism, Indonesia.

INTRODUCTION

The tourism, food service, and hospitality industries are also typically vulnerable to macroeconomic instability because this weakness manifested itself prominently during the COVID-19 pandemic in the form of a drastic financial imbalance (Okon et al., 2023). In an environment of uncertainty, stakeholders rely on sustainability accounts and audited financial statements to determine the organizational financial strength and stability. In this scenario, both GCOs and the SR metrics emerged as vital predictors of long-run stability and financial capacity (Celik, 2023; Usman & Mustafa, 2024). However, they have not been discussed to the level of the emergent

markets, especially in Indonesia, where the economy is dependent on the tourist industry (Rahim et al., 2024). That is why the study is evaluating the financial implications of GCOs and SR practices in tourism, restaurant, and hotel companies thematically listed on the Indonesia Stock Exchange in 2020-2023 and the extent to which they affect financial performance.

A GCO acts as a warning indicator raised by auditors when they cast a doubt on the financial position of an organization to sustain itself in the upcoming year. This kind of opinion is often attributed to a high likelihood of bankruptcy and is related to negative financial performance, such as decreasing stock prices, costs of capital, and investor resources (Adlwa & Sudarma, 2024; Hardi et al., 2020; Hidayah & Rachmadiyahana, 2024). Very capital-intensive sectors such as the tourism and hospitality industry, where revenue doesn't flow regularly, GCOs can lead to a vicious cycle that weakens financial stability even further. In addition, the loss of investor confidence always manifests itself in the increased borrowing rates, thus adding financial burden (Arum et al., 2022). Although GCOs have been studied relatively well in the bank and manufacturing sectors, a specific research has been conducted about their particular impacts on tourism, hotels, and restaurants, especially in cascading Asian economies like Indonesia (Sirait & Maisyarah, 2025).

The tourism industry has been a crucial part of the Indonesian economy, with tourism contributing 5% to the GDP before the COVID-19 epidemic and playing a pivotal role in the country as the economy emerges. This context renders Indonesia a pertinent setting for analysing the financial impact of GCOs (Dávid & Al Fauzi Rahmat, 2024). Concurrently, SR has gained prominence as a key mechanism for fostering stakeholder trust and promoting transparency. Firms that adopt Sustainable Social Responsibility (SSR) initiatives often experience improved customer loyalty, enhanced access to green financing, and stronger reputational capital, all of which may contribute to superior financial performance (Lehenchuk et al., 2023; Rosilawati & Nawirah, 2024). Scholars argue that SR generates added value by aligning with the expectations of regulators, investors, and consumers (Ershadi et al., 2024). According to signalling theory, effective SR mitigates information asymmetry, thereby reducing perceived risk. Nevertheless, empirical research on the financial outcomes of SR remains limited, especially in Southeast Asia, where SR practices are often non-compulsory and short-term in nature (Rosilawati & Nawirah, 2024). In the Indonesian context, the implementation of mandatory SR through OJK Regulation No. 51/2017 offers a quasi-natural policy experiment for empirical investigation (Margaretha et al., 2024).

Despite increasing academic attention to both GCOs and SRs, three notable gaps persist. Firstly, extant studies on GCOs tend to neglect the specific structural challenges facing the tourism sector in developing economies, as well as in industries characterised by non-cyclical business models (Zagotoa et al., 2024). Secondly,

although there is widespread discourse on the value implications of SR, limited empirical evidence exists regarding its impact on firms in sectors recovering from substantial economic shocks, such as those induced by the pandemic (Dávid & Al Fauzi Rahmat, 2024). Thirdly, although the tourism industry in Indonesia plays a critical role in employment generation and foreign exchange earnings, it has received scant scholarly attention concerning its vulnerability to global economic fluctuations (Parmawati et al., 2020).

This study seeks to address these gaps by examining the influence of GCOs and SRs on the financial performance of firms in Indonesia's tourism, restaurant, and hotel sectors. The research comprises three principal components. From a theoretical perspective, the study delineates the contrasting functions of GCOs and SRs—where GCOs signal financial risk, and SRs contribute to value creation. It also highlights the importance of exploring direct causal pathways in audit and sustainability-related research. Empirically, using panel data analysis while controlling for variables such as firm size, leverage, and liquidity, the study provides the first evidence of GCO and SR effects on financial outcomes within Indonesia's tourism sector. Practically, the findings assist corporate managers and regulators in making informed resource allocation decisions by offering insights into audit risk and the financial returns of sustainability initiatives. For policymakers, the results underscore the importance of enhancing auditor independence and strengthening the SR regulatory framework to reduce risks within the sector.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Underpinning Theories

This study explores the impact of GCOs and SR by integrating two prominent theoretical frameworks.

Signalling theory posits that financial and non-financial disclosures shape market perceptions, particularly under conditions of information asymmetry. In this context, firms strategically disclose information to convey quality and reliability to stakeholders (Spence, 1978). GCOs are widely regarded as negative signals, often indicating financial instability. Empirical findings demonstrate that GCOs can lead to an 8–10% decline in share value (Hidayah & Rachmadiyahana, 2024), with their adverse effects being particularly pronounced in emerging economies (Sirait & Maisyarah, 2025). Conversely, SR emits a positive signal to the market. Evidence suggests that adopting SR practices can reduce a firm's cost of capital, particularly for environmentally responsible firms (Hammond & Opoku, 2023).

Stakeholder theory offers a complementary perspective by emphasising that financial performance is significantly influenced by an organisation's commitment to social responsibility (Parmar et al., 2010). This recent literature suggests that corporate value

is best achievable when stakeholder interests e.g. shareholders, employees, customers, and local communities are faced simultaneously and equally. The empirical studies on Tourism and hospitality have shown that a stakeholder oriented holistic approach enhances customer notions and acts as a retainer of employees, which is the foundation of organizational survival (Park et al., 2023).

Going Concern Opinions and Financial Performance

Debates regarding audit reports and going concern opinions in Indonesia have persisted since 1995, triggered by Summa Bank's collapse despite receiving an unqualified opinion from an independent auditor (Rahim et al., 2024). The issue intensified after the 1997 financial crisis, where 14 companies in 1997 and 15 in 1998 failed despite similar audit outcomes (Parmawati et al., 2020). The high debt burden on Batavia Air forced it to close the operations in 2013 even though its strong financial stability report in 2011 (Zagotoo et al., 2024). The modern literature accepts that the property and audit opinion remains crucial to stakeholders because of its consequences on the minds of the people. Financial health has been identified over the years to correlate with size, which is usually measured in terms of assets, sales or market capitalization (Azizah & Anisykurlillah, 2014; Gama & Astuti 2014). The larger firms may not tend to get going concern opinions, and there is no empirical evidence to support this hypothesis. Such incidents can reduce the levels of objectivity among auditors, as in the case of Lebanon, where auditors could have been more focused on retention rather than serving their clients with objectivity (Chu & Weng, 2022). The client relations and assigned fees have been seen to incur an adverse effect on judicial independence, which in turn influences the quality of audits and, subsequently, the concern evaluations (Ettredge et al., 2017).

The independence of the auditor is vital to maintain both objectivity and accuracy in the audit judgment without the influence of other parties that might alter the transparency. In particular, economic crises may distort professional scepticism and define the ability of auditors to analyze the information provided by the clients critically. The financial circumstances of auditors at the beginning of an engagement greatly influence judgment that can lead to leniency about management explanations in socially and politically unstable conditions (Khaleel et al., 2023). These environments can make people less diligent in the evaluation of on-going concern problems. Professional scepticism must thus be adhered during the grip of a crisis so that auditors can identify financial distress and act with impartiality (Felicia, 2025).

Previous research work has considered audit activities in uncertain economic conditions, considering the effect of remote auditing and firm-specific variables on on-going concern judgments. It is critical about using the actual opinion of going concern as proxies of audit quality exclusively, primarily pointing out the limited

nature of going concern opinions. The researchers tested the effect of audit partner reputation, audit lag, profitability, liquidity, and debt on on-going concert evaluation and found that past views of all those factors had a small significant impact on current opinion except the previous year's opinion (Meidawati & Dwitama, 2023). Numerous studies have highlighted the adverse impact of GCOs on financial performance. The firms receiving GCOs exhibit a significantly higher insolvency rate within three years 32% compared to 4%. It has been observed an immediate decline in hotel occupancy following GCO issuance, as corporate clients tend to avoid high-risk firms (Hardi et al., 2020). This effect is amplified in emerging markets (Maina, 2021). Indonesian firms with GCOs face loan interest rates 150 basis points higher. Sector-specific consequences have also been noted (Averio, 2021). Tourism businesses, characterised by seasonal cash flows and high operating leverage, are especially vulnerable (Park et al., 2023; Parmawati et al., 2020). 15% revenue decline among Asian aviation companies post-GCO, while manufacturing firms experienced a milder impact. However, comprehensive research on the restaurant and hotel sub-sector remains limited, despite its dependence on consumer confidence and exposure to fixed costs (Sirait & Maisyarah, 2025). Accordingly, the following hypothesis is proposed:

H1: *Firms receiving GCOs will demonstrate lower financial performance (ROA, ROE, ROI) than firms without GCOs.*

Sustainability Reports and Financial Performance

Sustainability reporting signals a company's commitment to sustainable practices and is used by auditors to assess this dedication. It involves significant costs, including sustainability personnel, training, consultancy, data collection, and implementation of initiatives such as carbon reduction, philanthropy, and employee welfare (Hummel & Jobst, 2024; Mohamed et al., 2025). These upfront investments differentiate reporting firms from non-reporting ones and reflect their commitment to sustainability. Firms with strong sustainability performance are more inclined to disclose such efforts, which also provide insight into their financial stability (Alsaahli & Malagueño, 2022; Fernandez Martin et al., 2025). Although ESG reporting addresses stakeholder concerns, financial performance for shareholders remains the core objective. Nian and Said (2025) found a positive link between profitability and ESG commitments, particularly in tax practices. Achieving sustainability goals requires aligning ESG initiatives with long-term financial outcomes. Empirical evidence suggests that sustainability efforts lower capital costs, ease financing constraints, and enhance firm value (Amole & Emedo, 2025). Supporting the general assumption of the signalling theory states that companies use sustainability reports as a means of future profitability, communication and curb audit professionals due to the possibility of financial risk. The empirical findings confirm the validity of the given idea. This disclosure serves as an indicator of the capacity of a company to forecast, control and cut down sustainability-related risks (Lys et al., 2015).

Sustainability issues in the modern dynamic business world of complexity may cause severe financial consequences in the long term. Compliance with regulations may put operating license of an organization at risk where non-authorized or poor quality products may cause sensation to the mass boycotting of products and poor working conditions may compromise competitive advantage. The organizations can counter these risks is timing operational strategies with a broader interest of stakeholders and incorporating sustainability in the core practices. In this regard, sustainability reporting demonstrates successful risk management, which is the precondition of long-term sustainability and prosperity (Rosilawati & Nawirah, 2024). Further, it has been found that sustainability reporting reduces the risk of opportunistic behavior on the part of managers since it provides a message of increased understanding of managerial responsibilities towards the stakeholders. Previous research suggests that sustainability reporting should be used as a measure against managerial opportunism. Sustainability behaviors are a highly time-based phenomenon that discourages short-term self-centered tactical managerial decisions (Flammer, 2018).

Moreover, the leaders of companies that practice sustainability reporting have increased reputational capital and are less inclined to trading. Because the risk of fraud and source credibility is closely connected with the integrity of the managers, these attributes determine the judgments of the auditors (Burke et al., 2021, Gama & Astuti, 2014; Hsu et al., 2024). Similarly, a firm that reports on its sustainability undertakes a reflection of its adherence to ethical and integrity standards and, therefore, demonstrates the quality of management and management control systems (Hickman, 2020). When clients perform ethically dubious actions, auditors tend to be concerned about the integrity of the management and the tone of the organization, which are the primary determinants of risk related to financial reporting (Khaleel et al., 2023). Therefore, companies that release sustainability reports are usually viewed to be more ethical, hence reducing concerns about material misstatements (Mohamed et al., 2025).

Studies on the business advantage of sustainability reporting presented substantial but controversial results. According to early research, there is a positive relationship between social performance and financial performance, at best proposed, and overestimating those associations are not encouraged. More recent studies within the tourism sector have produced more definitive results. Park et al. (2023) found that luxury hotels with comprehensive SR reported an average 12% higher Average Daily Rate (ADR) compared to their competitors. The empirical studies discovered that businesses in Indonesia utilizing SR gained better access to green finance, while no significant difference in Malaysia's tourism sector has been found, suggesting that the quality of reporting plays a crucial role (Rosilawati & Nawirah (2024). Only standardized and verified SR practices deliver financial benefits, emphasising the reliability of the signals highlighted in signalling theory (Celik, 2023). Notably, the

2017 OJK regulations introduced standardised reporting practices, which could shift the landscape; however, there has been no post-regulatory analysis of the impact on Indonesia's tourism sector (Margaretha et al., 2024). Consequently, the following hypothesis is proposed:

Quality in sustainability reporting is a conceptual notion supervised through stakeholder theory that has a distinct character by offering extensive, transparent, and inherent stakeholders' disclosures. By using this scale, companies will be able to demonstrate their participation in ESG ideologies, as well as meet the demands of the diverse stakeholder groups in terms of disclosing information. Indeed, empirical evidence shows that companies with better financial performance have a higher ability to comply with such expectations because they have the funds to invest in sustainability projects as well as to generate high-quality disclosures (Wahyudi, 2021; Giglio et al., 2025). Additional investigation shows the way financial performance influences sustainability reporting. Effective companies will be in a position to invest more resources in enhancing reporting and ensuring global compliance. Placing this research in the stakeholder theory provides the perspective through which the influence of financial performance on the quality of sustainability reporting is analyzed (Al-Hares, 2025; Fernandez Martin et al., 2025). Accordingly, the following hypothesis is proposed

H2: *Firms with higher-quality SR will exhibit better financial performance (ROA, ROE, ROI) than those with weaker SR practices.*

METHODOLOGY

This study utilises a quantitative panel data analysis to assess the impact of GCOs and SR on financial performance, measured by ROA, ROE, and ROI, for tourism, restaurant, and hotel firms listed on the IDX from 2020 to 2023. The panel data approach allows for controlling unobserved heterogeneity across firms and capturing temporal dynamics, in accordance with established practices in corporate finance research (Rosilawati & Nawirah, 2024).

Data Collection and Sample

The population of this study consisted of all 47 firms in the tourism, restaurant, and hotel sub-sectors listed on the IDX. After applying stringent selection criteria, the final balanced panel dataset included 32 firms (128 firm-year observations) with complete data. The purposive sampling method was used, with the following inclusion criteria: (1) firms with complete financial statements and audit reports for all four years, (2) availability of sustainability disclosures (either standalone reports or comprehensive ESG sections in annual reports), and (3) continuous listing status throughout the study period, consistent with previous research (Okon et al., 2023;

Rahim et al., 2024). Financial data were obtained from Bloomberg and Refinitiv Eikon, while GCOs were manually identified from audit reports. The quality of SR was evaluated using a 0-5 ordinal scale based on Global Reporting Initiative (GRI) compliance, quantitative ESG targets, and third-party assurance (Celik, 2023).

Variable Measurement

Financial performance was assessed using the following metrics: ROA, calculated as net income divided by total assets; ROE, calculated as net income divided by shareholder equity; and ROI, calculated as net profit divided by total investment. The independent variables include: (1) GCOs, measured on a binary scale (1 if issued, 0 otherwise), and (2) SR quality, assessed on an ordinal scale. Control variables include firm size, measured as the logarithm of total assets; leverage, calculated as the debt-to-equity ratio; liquidity, assessed using the current ratio; revenue growth; and industry dummies to account for differences across sub-sectors.

Econometric Model

The baseline regression model is specified as follows:

$$\text{Financial Performance}_{it} = \beta_0 + \beta_1 \text{GCO}_{it} + \beta_2 \text{SR Quality}_{it} + \beta_k \text{Controls}_{it} + \alpha_i + \lambda_t + \varepsilon_{it}$$

Where i denotes firms, t denotes years, α_i represents firm fixed effects, λ_t captures year fixed effects, and ε_{it} is the error term. Fixed effects estimation was preferred based on Hausman test results ($p < 0.01$). Robust standard errors, clustered at the firm level, address heteroskedasticity and autocorrelation.

Robustness Checks

To enhance the robustness of the findings, several additional tests were conducted. First, alternative metrics for SR, namely Refinitiv ESG scores, were employed. Second, lagged independent variables were included to mitigate the risk of reverse causality. Third, a sub-sample analysis was performed, comparing data before and after the 2021 regulatory changes. Diagnostic tests were also carried out, including the Wooldridge test for autocorrelation, which yielded a p-value of 0.032, and variance inflation factors (VIFs), all of which were below 3.2, confirming that multicollinearity was not a concern.

RESULTS AND FINDINGS

The descriptive stats reveal key sample characteristics. Financial performance measures show notable variation, with ROA ranging from -2.3% to 11.5%, reflecting the sector's post-pandemic recovery. The 18% GCO incidence rate, concentrated in 2020-2021, confirms the pandemic's severe impact on tourism firms.

Table 1: Descriptive Statistics (N=128 Firm-Year Observations)

Variable	Mean	SD	Min	Max	25th %ile	75th %ile
ROA (%)	4.271	3.12	-2.34	11.57	2.12	6.48
ROE (%)	8.77	5.64	-5.24	22.13	4.35	12.8
ROI (%)	6.41	4.37	-3.16	18.70	3.24	9.56
GCO (1=yes)	0.18	0.38	0	1	0	0
SR Quality	2.8	1.2	0	5	2	4
Firm Size (ln)	18.20	1.56	15.74	21.38	17.15	19.43
Leverage	0.52	0.21	0.12	0.89	0.35	0.68

Table 1 shows that SR quality improved from 2020 (mean = 2.1) to 2023 (mean = 3.4), indicating a growing adoption of sustainability practices following Indonesia’s regulatory changes.

The distributions of control variables align with sector expectations, with leverage ratios (mean = 0.52) reflecting moderate debt levels typical of capital-intensive hospitality businesses.

Table 2: Correlation Matrix and Multicollinearity Diagnostics

	ROA	ROE	ROI	GCO	SR Q.	Size	Lev.	VIF
ROA	1.00							1.84
ROE	0.72**	1.00						2.12
ROI	0.65**	0.58**	1.00					1.62
GCO	-0.32**	-0.29*	-0.25*	1.00				1.97
SR Q.	0.27*	0.19	0.23*	-0.18	1.00			2.82
Size	0.15	0.12	0.09	-0.21*	0.31**	1.00		2.31
Leverage	-0.22*	-0.34**	-0.28*	0.25*	-0.13	-0.08	1.00	1.79

Notes: *p<0.05, **p<0.01

In Table 2, the correlation matrix identifies several notable patterns. Strong positive correlations between the performance measures (ROA/ROE = 0.72; ROA/ROI = 0.65) affirm that these metrics capture related yet distinct dimensions of financial performance. As anticipated, GCOs exhibit significant negative correlations with all performance measures (ROA = -0.32; ROE = -0.29; ROI = -0.25), whereas SR quality is positively correlated (ROA = 0.27; ROI = 0.23). The variance inflation factors (VIFs), which range from 1.6 to 2.8, remain well below the conventional threshold of 5, suggesting no issues of multicollinearity that could distort regression outcomes. Additionally, the regression results robustly support the hypotheses. For H1, GCOs display both economically and statistically significant negative coefficients across all models (-0.021 for ROA, -0.043 for ROE, and -0.037 for ROI, all p < 0.05). These effects are substantial, amounting to roughly 50% of the average ROA. For H2, SR quality reveals positive effects on ROA (0.008, p < 0.05) and ROI (0.012, p < 0.05), although the relationship with ROE is not statistically significant (p > 0.10).

Table 3: Fixed Effects Regression Results

Variable	ROA (1)	ROE (2)	ROI (3)
GCO	-0.021*** (-3.21)	-0.043*** (-2.89)	-0.037** (-2.67)
SR Quality	0.008** (2.12)	0.011 (1.43)	0.012** (2.01)
Firm Size	0.015** (2.45)	0.009 (1.12)	0.013* (1.98)
Leverage	-0.022** (-2.33)	-0.038*** (-3.12)	-0.025** (-2.45)
Hotel Dummy	0.018** (2.18)	0.022* (1.96)	0.017* (1.89)
Year FE	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Observations	128	128	128
R ²	0.42	0.38	0.35
F-stat	18.37***	15.22***	12.89***

Notes: t-statistics in parentheses; *p<0.10, **p<0.05, ***p<0.01. Cluster-robust standard errors.

In Table 3, the control variables perform as expected, with firm size exhibiting positive coefficients, leverage demonstrating negative effects, and hotels outperforming restaurants. The models account for 35-42% of the variance (R²) and display highly significant F-statistics (p < 0.01), indicating a good overall fit. Similarly, the robustness checks affirm the main findings across alternative specifications as shown in Table 4. The Hausman test ($\chi^2 = 18.37$, p < 0.01) supports the use of the fixed effects model. Results remain consistent when using random effects models (-0.019 for GCO, 0.007 for SR), lagged independent variables (-0.017, 0.009), alternative SR measures (-0.020, 0.006), and post-regulation subsamples (-0.023, 0.010). Moreover, diagnostic tests reveal no autocorrelation (Wooldridge F = 1.12, p > 0.10) and acceptable VIFs (< 3.2). The enhanced SR effects observed in the 2021-2023 period (0.010 compared to the baseline of 0.008) suggest that Indonesia's regulatory changes have strengthened the financial significance of sustainability disclosures.

Table 4: Robustness Checks

Specification	ROA (GCO)	ROA (SR)	Key Diagnostic
Baseline FE	-0.021***	0.008**	Hausman $\chi^2=18.37$ ***
Random Effects	-0.019***	0.007*	-
Lagged IVs	-0.017**	0.009**	Wooldridge F=1.12
Alternative SR Meas.	-0.020***	0.006*	VIFs<3.2
2021-2023 Subsample	-0.023***	0.010***	-

Notes: ***p<0.01, **p<0.05, *p<0.10

DISCUSSION

The empirical findings highlight critical trends regarding the impact of financial and sustainability disclosures on firm performance in Indonesia's tourism, hotel, and restaurant sectors. The robust negative coefficients for GCOs across all specifications (-0.021 for ROA, p < 0.01; -0.043 for ROE, p < 0.01; -0.037 for ROI, p < 0.05)

confirm that audit opinions significantly influence capital markets (Adlwa & Sudarma, 2024; Sirait & Maisyarah, 2025). These effects are substantial, accounting for approximately 50% of the mean ROA, which exceeds the 15-20 percentage point difference observed in the manufacturing sector, as reported by (Felicia, 2025). This enhanced penalty likely reflects tourism firms' heightened vulnerability to distress signals due to their considerable fixed costs and reliance on customer satisfaction (Nicolau & Sharma, 2022). GCOs in hotels or restaurants can damage reputations, triggering a downward spiral that includes cancellations and reduced supplier credit terms (Parmawati et al., 2020).

The positive but relatively modest effects of SR quality (0.008 for ROA, $p < 0.05$; 0.012 for ROI, $p < 0.05$) indicate that sustainability disclosures offer certain countervailing benefits, although the insignificant ROE relationship ($p > 0.10$) suggests these effects are performance metric-dependent. The increased SR coefficients observed post-2021 ($\beta = 0.010$, $p < 0.01$) demonstrate how regulatory changes can enhance the value of disclosures, providing support for institutional theory which argues that policy plays a pivotal role in shaping market norms (Bertomeu & Cheynel, 2013). Nevertheless, the weaker effects in Indonesia compared to developed markets (Rahim et al., 2024) imply that the country's ESG framework is still in a developmental phase and not yet fully effective in converting sustainability performance into financial returns. The control variables indicate relevant sector-specific trends. Hotels' superior performance (0.018 for ROA, $p < 0.05$) may stem from their larger economies of scale and broader international clientele, while the negative leverage coefficients (-0.022 for ROA, $p < 0.05$) highlight the risks associated with high debt levels in this capital-intensive industry. These results collectively offer a nuanced understanding of how different disclosure types function in emerging market tourism sectors, where information asymmetries are prevalent and stakeholders' capacity to process non-financial data is still evolving.

THEORETICAL CONTRIBUTION

This study makes three key theoretical contributions to financial disclosure and financial performance. First, it applies signaling theory (Spence, 1978), demonstrating how the intensity of signals varies across industries. The study highlights that the impact of GCOs in the tourism sector suggests that service-oriented firms may face more significant financial challenges than manufacturing firms, as intangible assets like reputation and customer relationships are more vulnerable (Dávid & Al Fauzi Rahmat, 2024). This underscores the need to incorporate industry-specific informational characteristics into theoretical models. Second, the findings support stakeholder theory, showing that SR adds value in emerging economies. While the theory posits that considering diverse stakeholder interests enhances efficiency, the modest effect and metric-specific outcomes suggest that adjustments to the theory are necessary in these contexts (Parmar et al., 2010). The lack of a strong link between

ROE and SR suggests varying perspectives among equity investors, emphasising the significance of multi-stakeholder frameworks (Soni et al., 2024). Third, the results contribute to institutional theory by illustrating how government interventions can enhance the financial value of non-financial disclosures. The increased influence of SR post-2021 indicates that mandatory reporting requirements strengthen the legitimacy and financial relevance of disclosures, thereby facilitating the development of the ESG market in emerging economies (Margaretha et al., 2024).

PRACTICAL CONTRIBUTION

This current study provides important information to managers in the tourism, hotel and restaurant industries, investors, and policymakers. The high financial impacts associated with GCOs explain why company executives need to make proactive efforts to overcome financial risks. Split cash buffers to avoid liquidity constraints, revenue diversifications, and positive relations with auditors are the adequate means a firm should follow to avoid liquidity constraints. In addition, the results support the value of sustainability reporting because quality SR is positively related to the return on assets (ROA) and the Return on Investment (ROI). To reap such benefits, managers are advised to seek third-party assurance for their sustainability reports and embrace internationally acceptable reporting models. To the policymakers, the research paper proposes the enhancement of the sustainability reporting laws in Indonesia. The increased potency of SR following 2021 reveals that obligatory reporting improves disclosure credibility and financial importance. Still, other measures that policymakers could adopt would entail bringing about uniformity in the ESG reporting requirements of the tourism industry, implementation of best practices via small businesses and also implementing audit recommendations that would be specific to the industry. As stakeholder awareness is an important factor in capitalizing on social responsibility and converting it to financial performance, policymakers should strive towards educating market players on the application and knowledge application on sustainability disquisitions. Such efforts can help tourism, hotel, and restaurant businesses in Indonesia manage the risk on a financial level and, at the same time, ensure that their sustainability programs contribute to the value of the business.

CONCLUSION:

The research proves the impact of GCOs and SR on the financial performance of the Indonesian tourism industry to be remarkable. GCOs have been found to carry penalties, and high-quality SR has also been proposed to increase revenues. The findings show the significance of financial transparency and sustainability reporting as a method of strengthening resilience, especially in developing countries. Qualitative research of performance dynamics regarding GCOs and SR, that is, financial costs, consumer behavior, or operational performance, could be carried out during future

research. To expand its coverage, it would be desirable to include small and medium-sized enterprises and make cross-country comparisons to identify cultural or institutional differences. The sustainability standards and the trend of developing regulations will be better understood with long-term evaluations to help the tourism business handle its monetary and sustainability issues.

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