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Sustainability Strategy and Bond Disclosure Driving Sustainable Growth: Performance Mediation

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Abstract

Purpose – This study investigates the mediating role of sustainability performance in the relationship between sustainability strategy, sustainable bond disclosure, and sustainable growth rate among financial services companies that issued sustainable bonds on the Indonesia Stock Exchange during the 2024-2025 period.
Design/Methodology/Approach – Quantitative method with data collected through content analysis of 55 companies. Statistical analysis used SmartPLS to test the hypotheses.
Results – Five hypotheses were accepted, and two were rejected. Sustainability strategy and sustainable bond disclosure significantly influenced sustainability performance and growth. However, sustainability performance only mediated the effect of sustainable bond disclosure on growth, while the other mediators were insignificant.
Originality/value – This study offers an in-depth examination of the mediating role of sustainability performance, particularly in the Indonesian financial services sector, which has recently adopted sustainable bonds, while strengthening signaling theory in the context of sustainable capital markets.
Research limitations/Implications – The theoretical implication is that the findings reinforce signalling theory, suggesting that the reporting of sustainability performance serves as a strong signal to stakeholders. Regarding practical implications for companies, the disclosure of sustainable bonds should be accompanied by impact reports to enhance sustainability performance.

Keywords: Sustainable Bond Disclosure, Sustainable Growth Rate, Sustainability Performance, Sustainability Strategy

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Introduction

The global community is experiencing climate change and extreme weather anomalies. Unbalanced natural cycles have exacerbated environmental and social problems. The global community is facing climate change, which is expected to increase the variability of weather patterns, accelerating the spread of disease. Now is the time for all parties to recognize the importance of implementing ESG aspects. The issues of climate change and the Sustainable Development Goals (SDGs) are gaining traction with the support of financial institutions promoting Sustainable Finance and Digital Financial Inclusion. Sustainable finance is creating economic growth that aligns with environmental and social considerations.

Harmonizing economic, environmental, and social growth requires integration between the three. This integration begins with strategy and implementation and continues through reporting on these three aspects. Furthermore, sustainability growth rates and performance need to be reviewed to assess performance and growth. Sustainable growth rates demonstrate a balance between sustainability and profit growth. However, scepticism often arises among entities, believing that sustainability will incur costs without generating profitable returns.

These gains are unlikely to be reflected in the short term, as they typically emerge only over the long term. Sustainable growth can be achieved if sustainability performance aligns with its strategy. Corporate awareness and stakeholder pressure play a role in driving sustainable growth rates. New regulations, regulatory pressure, and customer demands are the primary drivers for companies to implement environmental projects to build an eco-friendly image (Lisnawati et al., 2024). Environmental management has become a crucial area of management in the 21st century if companies want to be sustainable and competitive (Chen & Chang, 2013). A company's awareness of environmental and social issues encourages it to undertake relevant activities.

In addition to relevant activities, a sustainability strategy is needed to serve as a template for achieving corporate goals (Lisnawati & Gunawan, 2022). McPhee (2014) argues that sustainability requires a distinct strategic approach. Realizing a company with economic, social, and environmental objectives requires a comprehensive approach from top management, articulated in a sustainability strategy (Mamun & Uddin, 2025). Implementing a sustainability strategy allows companies to reduce total costs and risks and helps them achieve their goals. On the other hand, it can help them increase revenue and intangible values that contribute to the company's competitive advantage (Masoumik et al., 2015). A sustainability strategy involves integrating environmental issues into business strategies across various units: manufacturing, supply chain, and marketing (Yinbil & Acheampong, 2026).

One way entities demonstrate their commitment to achieving sustainable business is by issuing long-term financing based on sustainability and green bonds (Salsabilah & Jubedah, 2026). Issuing sustainable and environmentally sound bonds is a concrete effort to support projects prioritizing the environmental and social aspects. Nevatia (2026) found that disclosure and transparency regarding sustainability instruments, such as sustainability bonds, can reduce information asymmetry and sustainability risks; these findings indicate that sustainability bond disclosure has the potential to support improvements in sustainability performance.

Consequently, green capital markets are instrumental in supporting the financing of green projects and enabling continuous assessment of their actual impacts during project implementation and operation (Lisnawati & Siahaan, 2025). However, implementation still faces challenges, ranging from limited projects ready for financing and high issuance costs to transparency and reporting issues. This article will highlight the issue of transparency and reporting. Entities that have issued debt securities, particularly sustainable bonds, must report on their funds' use. Accountability for sustainable bonds can be seen in the extent of the issuer's disclosures, reflecting its reporting. Therefore, emphasizing disclosure on sustainable bonds is crucial. Data released in the Bond Market Book show that the financial sector issues the most sustainable bonds, with 55 bonds issued by 55 companies (Market Bond Book 2023 and 2024).

The Research Gap in this study. in addition to the ongoing question of sustainable bond implementation, empirical research on developing the sustainable bond market in relation to sustainable growth rates remains very limited. To the author's knowledge, sustainability bonds are more often associated with sustainability, ESG, and SDGs. Based on the description of the phenomenon and the emerging empirical gap, this study contributes both empirically and practically. Empirically, by exploring the role of sustainability performance as a mediator, this study enriches the literature on sustainability strategies and how transparency in sustainable bond disclosures can contribute to a company's sustainable growth rate. Furthermore, this study attempts to develop indicator manifestations to bridge the gap between concepts and empirical data, as well as to serve as a guide for content analysis. Practically, it encourages the financial services sector to integrate strategy, implementation, and reporting to achieve growth in both financial and

non-financial aspects. This research is systematically presented as follows: literature review, methods, results, and discussion, followed by conclusions and further research.

Literature Review and Hypothesis Development

Signalling theory was first developed by Spence in 1973 to explain labour market dynamics, where individuals act as signalers, demonstrating their qualities or abilities through education and credentials as observable indicators for employers to reduce information uncertainty and make hiring investment decisions (Spence, 1973). Subsequently, this theory has evolved and now emphasizes the interaction between two parties with different access to information, namely the signaler and the signal receiver, focusing on how signals are used to influence the behaviour and perceptions of the recipient, especially in the context of reducing information asymmetry (Ghozali, 2020). In this study, financial institutions act as signalers, conveying positive information to investors by demonstrating their commitment to sustainable governance and sustainable finance practices through the disclosure of sustainable bonds. This disclosure is a credible signal that can influence investor investment decisions by strengthening perceptions of the company's performance and sustainable growth. Therefore, signalling theory has become an important framework for understanding the mechanisms of information communication in capital markets, which are increasingly paying attention to sustainability aspects.

Sustainability Performance
Sustainability performance coordinates environmental and financial objectives while conducting core business activities to maximize value (Athaya et al., 2025; Helmi et al., 2025; Aprilia, 2024; Wulandari et al., 2026). Several methods for measuring sustainability exist, including environmental sustainability indices, sustainability barometer approaches, and sustainability scorecards (Kalender & Vayvay, 2016). In many references, sustainability performance is often a reflection of a company's success in integrating economic, environmental, and social aspects (Athaya et al.,2025; Lisnawati & Gunawan, 2022; Permata et al., 2024).

Sustainability Strategy and Sustainability Performance
Sustainability strategy integrates environmental and social aspects into the strategic management process for sustainable development. Maximum sustainability can be achieved by integrating environmental and social factors into a company's medium- and long-term vision. Lisnawati & Gunawan (2022) state that sustainability is part of a business strategy that must be implemented in business activities. A sustainability strategy is the most important plan for determining a corporate governance roadmap. It serves as a guideline for determining whether to prioritize profit solely or simultaneously map environmental and social concepts. Lin et al. (2021) found that sustainability strategies significantly improve sustainability performance. Their research demonstrated that implementing sustainability strategies in business strategies directly charts the path to achieving better sustainability. Beyond advancing the sustainability agenda, other studies indicate that sustainability strategies can enhance socially responsible human resource management and sustainability performance (Mamun & Uddin, 2025). Sustainability strategies are efforts to improve planning to achieve maximum performance and implementation. Based on signalling theory, these strategies are commonly used to demonstrate to stakeholders that the institution has implemented sustainability at a practical level.
H1: Sustainability strategy has a positive influence on sustainability performance

Sustainable Bond Disclosure and Sustainability Performance
The ICMA defines a sustainable bond as a bond whose proceeds are used exclusively to finance green projects, social projects, and assets. Kumar & Baag (2022) describe sustainable bonds as financial instruments that combine the characteristics of social and green bonds to finance, either fully or partially, projects that meet sustainability eligibility criteria. According to the International Capital Market Association (ICMA), sustainable bonds are generally classified into four main categories: Standard Sustainability Bonds, Sustainability-Linked Revenue Bonds, Sustainability Project Bonds, and Sustainability Securitization Bonds. The motivation for studying sustainable bonds stems from their relative novelty and the limited research on them compared to green bonds (Mocanu et al., 2021).

Meanwhile, Argandoña et al. (2022) emphasize the increasing role of green, social, and sustainability (GSS) bonds in Latin American and Caribbean financial markets as a means of financing public initiatives related to climate action, environmental protection, energy efficiency, pollution prevention, and sustainable management of agriculture, fisheries, and forestry. Sustainable bond disclosure refers to the reporting of

performance related to sustainable bond issuances. This disclosure serves as a form of accountability to stakeholders. Meanwhile, Oprean-Stan et al. (2020) stated that sustainable growth rates are highly dependent on sustainability performance and are independent of financial performance.

Nevatia (2026) found that increased transparency and accountability through sustainability bond reporting standards can reduce information asymmetry and perceived risk, indicating that the quality of sustainable bond disclosure can strengthen the implementation and achievement of sustainability performance. Pinto & Ribeiro (2026), highlight the role of transparency and accountability embedded in sustainable bond reporting in reducing information asymmetry, suggesting that sustainable bond disclosure may contribute to stronger sustainability performance and, ultimately, sustainable growth. According to signalling theory, disclosure of long-term fundraising and fund use must be reported to the public, serving not only as accountability to direct stakeholders but also as a positive signal.
H2: Sustainability bond disclosure has a positive effect on sustainability performance.

Sustainable Growth Rate
The sustainable growth rate is characterized by maximum growth accompanied by stable cash flow. This concept was developed by Higgins (1977) and continued until 1981. In the book, it is explained that the growth rate is reflected in profit margins, the retention ratio, asset turnover, and the financial leverage ratio. Sustainable growth means a company's growth is in line with its resources. Faster or slower growth can lead to financial crises and threaten the company's survival. Growth rates higher than the sustainable growth rate (SGR) can cause numerous problems for the company. The SGR reflects the growth rate and threshold expected by the company in the long term (Erawati et al., 2025).

Sustainability Strategy and Sustainable Growth Rate
Signalling theory explains that signalers attempt to provide information to change the behaviour of signal recipients. In this case, financial sector companies attempt to signal to potential investors, urging them to invest or purchase environmentally conscious debt securities. Environmental awareness can be demonstrated by disclosing the company's intended sustainability strategy. Meanwhile, identical research on the direct impact of sustainability strategy on sustainable growth rate is still limited. Similarly, Theresia & Triwacananingrum (2022) linked value creation to sustainable growth rate, with positive results varying depending on the variables used. A sustainability strategy, as part of the corporate strategy, will garner strong legitimacy for the company. Other research on the sustainable growth rate indicates an influence from the intensity of green research and development among companies in Egypt (Abouelela & Saleh, 2026).
H3: Sustainability strategy has a positive effect on sustainable growth rate.

Sustainable Bond Disclosure and Sustainable Growth Rate
According to signalling theory, sustainable bond disclosure sends a strong signal to investors and potential investors, encouraging them to invest in environmentally sound debt securities. Sustainable bond disclosure can also serve as an accountability tool for issuers to ensure that funds are used for their intended purpose, namely financing green and social projects. Companies are more likely to disclose when they plan to issue equity/bonds (Gavana et al., 2017). Research conducted by Wang et al. (2022) examined the drivers of corporate ESG bond issuance and investor reactions in Korea. The findings suggest that companies with larger organizational size and greater foreign ownership are more likely to issue ESG bonds. While identical research linking sustainable bond disclosure to sustainable growth rates is limited, this study attempts to develop hypotheses based on the theory used.
H4: Sustainable bond disclosure has a positive effect on sustainable growth rate.

Sustainability Performance and Sustainable Growth Rate
Previous research has shown that ESG performance significantly impacts sustainable growth (Z. Lin, 2024). Their study showed high heterogeneity in the effect of ESG on SGR for government-owned companies in China and low SGR for non-governmental companies. The results of this study are in line with research by Lestari et al. (2024), which found that sustainable growth rate moderates the effect of ESG on firm value. Signalling theory explains the importance of measuring and reporting sustainability publicly to provide signals to investors and potential investors.
H5: Sustainability performance has a positive effect on sustainable growth rate.

Mediating Role of Sustainability Performance
Institutional signals to stakeholders are crucial for attracting investors. In signaling theory, ease of access to information can influence investment decisions. A strong signal, in the form of positive sustainability performance, can help institutions gain broader access to financing. Previous research has shown that

sustainability performance mediates the effects of green supply chain and institutional pressure on financial performance in a Pakistani fertilizer producer (Ma et al., 2022). Another investigation reported that ESG performance plays a mediating role in explaining the relationship between board structure and financial performance. Broad access to financing, both equity and debt, can be achieved by providing a positive signal to the public. That is consistent with the signalling theory, which suggests that broader information will influence investment policy. Previous studies have shown that environmental performance mediates the effect of supply chain management on financial performance (Ma et al., 2022).
H6: Sustainability performance mediates the effect of sustainability strategy on sustainable growth rate
H7: Sustainability performance mediates the effect of sustainable bond disclosure on sustainable growth rate
The research framework in Figure 1 presents a diagram illustrating the relationship involving sustainability performance, sustainability strategy, sustainable bond disclosure, and sustainable growth rate.

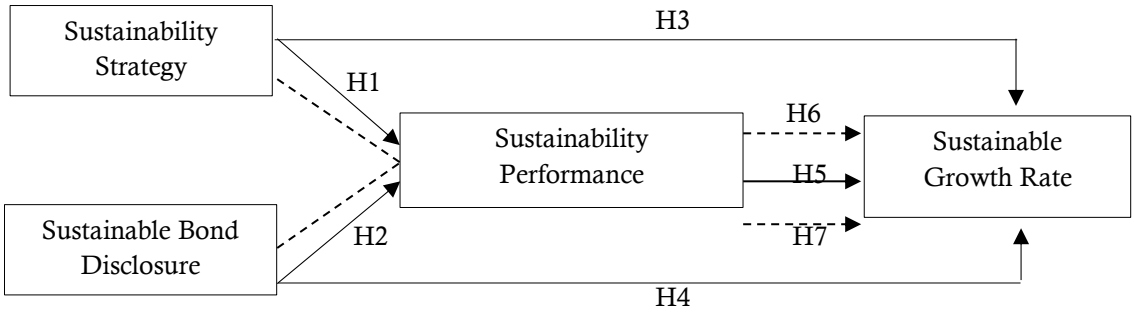


Figure 1
Research Framework
Source: Author's Design

Methods

This quantitative research uses secondary data, namely data already published by other parties, obtained from the Indonesia Stock Exchange (IDX) website at www.idx.co.id for two consecutive years, from 2024 to 2025. The population in this study was 55 financial services companies listed on the IDX over the two years. Sample selection employs several established criteria, including:
The companies used in this study were financial services companies listed on the Indonesia Stock Exchange and issued sustainable bonds between January 1, 2024, and December 31, 2025, Financial services companies with complete financial statements, annual reports, sustainability reports, and other information required for this study. Therefore, this study's sample size was 55 financial services institutions, or 110 observational data points, as all companies met the established criteria. Data structures exhibit the characteristics of repeated observations, as the same company may appear in more than one observation period.

Data were collected using content analysis based on meaning, following the research technique by Lisnawati et al. (2024) for all sample data studied. The operationalization of data collection for the first construct begins with the determination of indicators based on prior literature. Second, each indicator is operationalized according to its specific characteristics to facilitate identification within corporate reports. Third, these operationalizations are scored using content analysis, and the resulting scores are aggregated to produce an indicator value. The obtained indicator value serves as a reflective manifestation within the measurement model. The scores used in this study are as follows:
0: A score of 0 is given if no information is provided
1: A score of 1 is assigned if it contains at least one disclosure word
2: A score of 2 is assigned if it contains at least 2 to 3 disclosure words
3: A score of 3 is awarded for the expression of one sentence.
4: A score of 4 is assigned for the disclosure of two sentences.
5: A score of 5 is given if the disclosure contains 2 to 5 paragraphs.
6: A score of 6 is awarded for a response of 6 to 7 paragraphs.
7: A score of 7 is awarded for a disclosure exceeding 7 paragraphs.

To facilitate understanding of data collection and measurement techniques, the operationalization of variables along with the development of indicator manifestations is presented below:

Table 1
Operationalization of Variables

Variables	Indicators	Development of Indicator Manifestations
Sustainability Strategy (SS)	1. Aware 2. Developing 3. Practicing 4. Optimizing & Leading (E. G. Olson, 2008)	1. The company demonstrates awareness of and commitment to sustainability within its corporate strategy. 2. The company develops and integrates sustainability into its business strategy and activities. 3. The company implements sustainability in its business practices and operations. 4. The company optimizes the implementation of sustainability and demonstrates leadership in sustainability.
Sustainable Bond Disclosure (SBD)	1. Use of Proceeds 2. Process for project evaluation and selection 3. Management of Proceeds 4. Reporting (ICMA, 2018)	1. The company discloses the use of proceeds from the sustainable bond. 2. The company discloses the evaluation and selection process for projects financed by the sustainable bond. 3. The company discloses the management and monitoring of sustainable bond proceeds. 4. The company discloses reporting on the use of proceeds and the impact of the sustainable bond.
Sustainability performance (SP)	1. Environmental performance 2. Social Performance 3. Economic performance (Lisnawati et al., 2024)	1. The company demonstrates sustainability performance regarding environmental aspects. 2. The company demonstrates sustainability performance regarding social aspects. 3. The company demonstrates sustainability performance regarding economic aspects**.**
Sustainability Growth Rate (SGR)	1. Total Assets 2. Total Asset Turnover 3. Profit margin 4. Leverage 5. Sales (G. T. Olson & Pagano, 2005)	1. The company possesses the capacity to maintain and expand its asset base to support growth. 2. The company demonstrates the ability to utilize assets productively to support sales activities. 3. The company demonstrates the ability to generate profits that support sustainable growth. 4. The company demonstrates the ability to manage its funding structure to support growth. 5. The company demonstrates the ability to maintain and increase sales as a foundation for growth.

Table Source: Author's Composition

This study utilizes quantitative data analyzed statistically. The approach employed is path analysis using Partial Least Squares-Structural Equation Modeling (PLS-SEM) (Hair et al., 2017). PLS-SEM was selected because the research objective was to test a structural model involving multiple inter-variable relationships and mediation mechanisms within a single research model. This approach enables the simultaneous estimation of relationships between variables and is suitable for research focused on testing predictive relationships within a structural model.

This study employed a model utilizing reflective indicator specifications. Evaluation of the outer model was conducted through construct validity and reliability testing, encompassing outer loadings, Average Variance Extracted (AVE), Cronbach's alpha, and composite reliability. Subsequently, the inner model was evaluated to examine structural relationships between variables using path coefficients, significance values (t-values), and the coefficient of determination (R^2). Tests for indirect effects were performed to identify mediation mechanisms, while the significance of the mediation effect is assessed using the Sobel test approach.

Research Results

The research begins with presenting descriptive statistics, as shown in Table 2. For the entire data, the sustainability strategies—AW (aware), DG (developing), OL (optimizing), and PC (practising)—have a minimum score of 1,000 and a maximum score of 7,000. This means financial services companies disclose sustainability strategies in at least one word and a maximum of seven paragraphs. The mean score above the standard deviation indicates a homogeneous data distribution.

The sustainable bond disclosure variables—GD (fund management), LP (report), PD (fund use), PE (evaluation process), and sustainability performance variables—KS (sustainability performance)—have mean scores above the standard deviation, indicating a good representation of the overall data. The sustainable growth rate (SGR), PM (profit margin), ROS (return on sales), TA (total assets), and TAT (total asset turnover) variables all have mean scores above the standard deviation, indicating a homogeneous data set. Meanwhile, the LV (leverage) indicator's mean value is below the standard deviation, indicating a high data spread and significant variability within the sample. This could be due to the presence of extreme values in the dataset. This does not impact the data testing in the subsequent stages.

Table 2
Descriptive Statistics

Indicators	Mean	Min	Max	SD
AW	3.164	1.000	6.000	1.210
DG	3.418	1.000	6.000	1.115
OL	3.655	1.000	6.000	1.140
PC	4.027	1.000	7.000	1.232
GD	3.709	1.000	7.000	1.186
LP	3.364	1.000	7.000	1.204
PD	3.818	1.000	7.000	1.097
PE	3.473	1.000	7.000	1.305
KS	3.555	1.000	7.000	1.180
LV	2.280	133.022	5.683.000	9.824
PM	2.256	23.465	5.210.000	1.074
ROS	2.330	-51.561	4.871.000	1.041
TA	2.230	36.475	5.472	1.070
TAT	2.307	89.413	5.325.000	1.115

Note: AW (aware), DG (developing), OL (optimizing), PC (practising), GD (fund management), LP (reporting), PD (fund use), PE (evaluation process), KS (sustainability performance), LV (leverage), PM (profit margin), ROS (return on sales), TA (total assets), TAT (total asset turnover)

Measurement Model Evaluation Results

The measurement model was tested for validity and reliability using convergent validity, internal consistency, and discriminant validity.

Convergent Validity

The convergent validity test results showed a loading factor of >0.7 for all variables. The outer loading values presented in Figure 2 indicate that all indicators had a value of >0.7, indicating that each tested indicator adequately measured its variable.

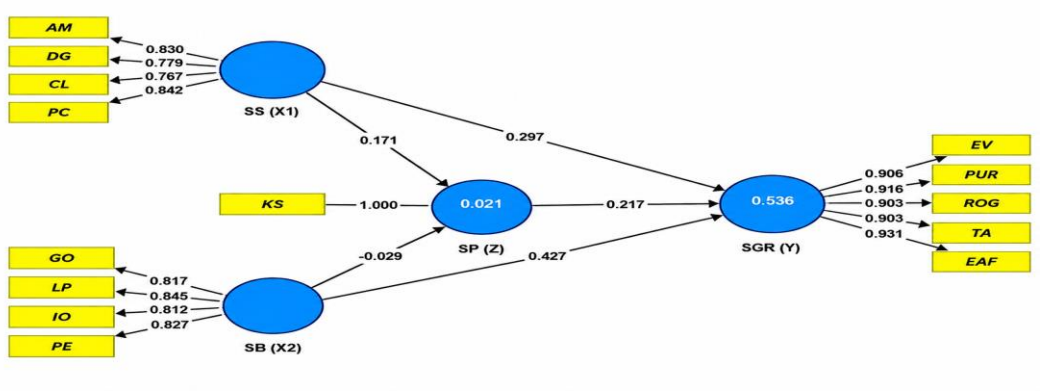


Figure 2
Loading Factor Results
Source: SmartPLS

Internal Consistency Test

The results of the internal consistency test can be seen from the Cronbach's alpha and composite reliability tests, which are presented in Table 3 below.

Table 3
Internal Consistency Test

Variable	Cronbach's Alpha (> 0.5)	Composite Reliability (0.7)
SS	0.821	0.881
SBD	0.863	0.907
SP	1.000	1.000
SGR	0.952	0.953

Note: SS (sustainability strategy), SBD (sustainable bond disclosure), SP (sustainability performance), SGR (sustainable growth rate)

The Cronbach's alpha test yielded results >0.5 for all variables, indicating that the research variables were reliable. The composite reliability test yielded results >0.7, indicating that the data in this study are reliable.

Discriminant Validity Test

The discriminant validity test used the heterotrait-monotrait ratio (HTMT) approach with a rule of thumb of <0.90. The test results showed that all variables had values <0.90, as presented in Table 4.

Table 4
Heterotrait-Monotrait Ratio (HTMT) Test

Variables	SBD	SGR	SP	SS
SBD(X2)				
SGR (Y)	0.736			
SP (Z)	0.041	0.100		
SS (X1)	0.576	0.711	0.148	

Note: SS (sustainability strategy), SBD (sustainable bond disclosure), SP (sustainability performance), SGR (sustainable growth rate)

Structural Model Evaluation Results

Hypothesis testing for effects and mediation analysis were conducted using structural model tests. Bootstrapping was performed three times to assess test consistency. The structural test results are presented in Table 5.

Table 5
Hypothesis Results

Variables	Direction Prediction	Coefficient	P-value
SS → SP	+ (H1)	0.477	0.000***
SBD → SP	+ (H2)	-0.369	0.047**
SS → SGR	+ (H3)	0.337	0.050**
SBD →SGR	+ (H4)	0.397	0.000***
SP → SGR	+ (H5)	0.171	0.123
SS →SP →SGR	+ (H6)	-0.003	0.793
SBD→SP → SGR	+ (H7)	0.206	0.075*
R^2	0.564		
***0.01, **0.05, * 0.1			

Note: SS (sustainability strategy), SBD (sustainable bond disclosure), SP (sustainability performance), SGR (sustainable growth rate)

Source: SmartPLS

Based on the test results in Table 5, The regression model in this study is:
SGR = ß0+0.337Ss+0.397Sbd+ e……..(1)
SS=ß0+0.477ss-0.369Sbd+ e…… (2)
SGR=ß0+0.337Ss+0.397Sbd+0.171sp+ e…… (3)
With an R^2 value of 0.56, the structural model exhibits moderate predictive capability. This indicates that 56% of the variance in the dependent variable is explained by the independent variable(s), while 44% remains attributable to unobserved or omitted factors.

Discussion & Conclusion

Discussion

The Effect of Sustainability Strategy on Sustainability Performance (H1)

Table 5, a hypothesis test, shows a coefficient of 0.477 with a p-value of 0.000 <0.01, indicating a significant positive effect of sustainability strategy on sustainability performance. These results demonstrate that a more intensive sustainability strategy planning process can improve sustainability performance. Numerous studies on this topic have yielded influential results, such as research by Lisnawati & Gunawan (2022), who demonstrated the influence of sustainability strategy on sustainability performance. These results align with previous research by Lin et al. (2021) and Mamun & Uddin (2025) which implemented sustainability as an inherent business strategy. Signalling theory explains that information received by the public is part of decision-making. The existence of a sustainability strategy certainly signals to investors that financial services companies in Indonesia are fulfilling their social and environmental responsibilities. Financial services providers must remain committed to formulating and implementing green business strategies, as these have been proven to genuinely enhance performance—rather than merely greenwashing.

The Effect of Sustainable Bond Disclosure on Sustainability Performance (H2)

The tests of Hypothesis 2 showed a coefficient of -0.369 with a p-value of 0.047 < 0.05, indicating a significant negative effect of sustainable bond disclosure on sustainability performance. This result contradicts signalling theory, which suggests that higher levels of sustainable bond disclosure will decrease sustainability performance. In signalling theory, disclosure of sustainability performance would be important information for signal recipients. However, this study found that sustainability performance decreased. This occurred because a significant impact did not accompany extensive disclosure of the funded projects. Projects funded by sustainable bonds essentially had no tangible impact on sustainability and may have been labelled sustainable. Bonds sold by financial services institutions prioritize sustainability over time, so these bonds are issued periodically. Particularly for the financing institution sub-sector, the "sustainable bond" label is aimed more at the sustainability of the issuance itself. Funded projects focus on increasing the company's economic profits, with only a small portion focused on environmental and social issues. This contradicts previous research by Mamun & Uddin (2025) which identified growth and sustainability performance determinants.

There are several possible reasons why the disclosure of sustainability bonds might actually lead to lower sustainability performance. First, the ratio of green financing remains low compared to conventional loan portfolios, keeping the bank's sustainability indicators under pressure. Second, strict sustainability

oversight by relevant authorities—such as the Financial Services Authority (OJK)—mandates the implementation of sustainable finance practices, which inevitably results in more rigorous scoring of sustainability performance.

The Effect of Sustainability Strategy on Sustainable Growth Rate (H3)
The test of hypothesis 3 showed a coefficient of 0.337 with a p-value of 0.050 ≤ 0.05, indicating that sustainability strategy has a significant positive effect on sustainable growth rate. These findings demonstrate that integrating sustainability into strategy acts as a driver of long-term financial growth. Consistent with signalling theory, a financial institution's commitment to sustainability serves as a credible signal that reduces information asymmetry and the cost of capital. Consequently, financial service institutions are able to achieve maximum financial growth. These results align with the research of Theresia & Triwacananingrum (2022), who found that when a company seeks to enhance its environmental activities, it directly boosts sustainability growth.

The Effect of Sustainable Bond Disclosure on Sustainable Growth Rate (H4)
Table 5 shows a hypothesis test for the effect of sustainable bond disclosure on sustainable growth rate, showing a coefficient of 0.397 with a p-value of 0.000 <0.01, indicating a significant positive effect. This result aligns with previous research by Wang et al. (2022) on investor responses to ESG bond issuances. The issuance of sustainable bonds for environmentally conscious projects certainly indicates an effort by financial services institutions to participate in achieving sustainability. Therefore, this result aligns with the signalling theory, which argues that sustainable bond disclosures are a signal that can enhance sustainable growth. In the long term, cost-of-capital efficiency can be achieved, thereby increasing the company's net profit margin, this automatically optimizes the accumulation of retained earnings, which in turn drives maximum growth.

The Effect of Sustainability Performance on Sustainable Growth Rate (H5)
The test results for Hypothesis 5 show a coefficient of 0.171 with a p-value of 0.123 > 0.1, indicating that sustainability performance does not affect sustainable growth rate. Signalling theory explains how company information can influence investor decisions. Sustainability performance is a strong signal for investors concerned about the environment. However, the test results for Hypothesis 5 contradict the signalling theory. This result also contradicts previous research by Z. Lin (2024), which found that ESG performance significantly affected sustainable growth rate. The lack of effect of sustainability performance on sustainable growth rate is due to the two variables having different performance perspectives. Sustainability performance is a non-financial reporting perspective, while sustainable growth rate uses financial measurements. Non-financial measurements conducted by the financial services sector are currently not integrated with financial ones. That is because the guidelines, such as IFRS S1, have only recently been implemented, and another reason is that both reports are still being developed separately. In this study, the sustainable growth rate is measured using short-term financial indicators, whereas sustainability practices require a long-term horizon to be reflected in financial statements, thereby creating a time lag. These results illustrate the time lag involved in translating sustainability efforts into sustainable financial growth.

Sustainability Performance Mediates the Effect of Sustainability Strategy on Sustainable Growth Rate (H6)
The results of testing Hypothesis 6 yielded a coefficient of -0.003 with a p-value of 0.793, indicating that sustainability performance could not mediate the effect of sustainability strategy on sustainable growth rate. This result is inconsistent with previous research by Ma et al. (2022) and with signalling theory. This result further supports Hypothesis 5. The lack of effect of sustainability performance on sustainable growth rate also contributes to the inability of sustainability performance to act as a mediating variable. The inability of sustainability performance to act as a mediator is due to the lack of a direct impact of sustainability on financial growth in the company. Furthermore, it takes a long time for sustainability performance to drive sustainable financial growth. In the short term, sustainability initiatives entail high costs and investments that inevitably dampen corporate profit growth. The benefits of sustainability investments are realized only in the long run, once sustainability concepts have been fully integrated into every aspect of the financial institution.

Sustainability Performance Mediates the Effect of Sustainable Bond Disclosure on Sustainable Growth Rate (H7)
Based on the results of the Hypothesis 7 test, a coefficient of 0.206 was obtained with a p-value of 0.075. These results indicate that sustainability performance mediates the effect of sustainability bond disclosure on the sustainable growth rate at a 10% significance level (α = 0.10). Although the p-value of 0.075 is not

significant at the 5% level, the result meets the significance criteria at the 10% level established in this study. These findings indicate that sustainability bond disclosure serves not only as a means of transparency regarding the use and management of sustainability funds but also encourages companies to improve their sustainability performance. The study used sustainability performance as a mediator of influence and was shown to be effective. Signalling theory explains the importance of disclosed information in influencing the quantity of investment in a company.

Conclusion

To the authors' knowledge, this study is relatively rare, and no similar research is available. This study attempts to develop manifest indicators to bridge concepts and empirical data. A partial least squares structural equation modelling (PLS-SEM) approach has been proven to provide comprehensive statistical results. The study yields empirical implications by enriching the literature on the role of sustainability performance as a mediating mechanism between sustainable bond disclosure and the sustainable growth rate. Furthermore, it demonstrates that the developed indicators effectively bridge conceptual frameworks with data found in financial and sustainability reports. From a practical standpoint, the findings suggest that financial service firms need to consistently integrate sustainability strategies, the implementation of sustainability initiatives, and transparent reporting to support both financial and non-financial growth.

Limitation & Future Research

A primary limitation of this study stems from the use of 110 firm-year observations derived from 55 companies over a two-year period; consequently, the data includes repeated observations for the same companies, meaning the observations are not entirely independent. While PLS-SEM was employed, consistent with the research objective of examining structural and mediation relationships, it does not specifically account for firm-specific and time-related effects in the manner that panel data approaches do. Future research should incorporate robustness tests to address issues regarding data independence.

Declaration of Generative AI Use

The authors report that generative AI was not used in their research or preparation of this manuscript.

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