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Sustainable Development Goals and Intellectual Capital as Determinants of Corporate Financial Performance: An Empirical Study of Basic Chemical Manufacturing Companies on the IDX (2022-2024)

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Abstract

This study is a quantitative research aimed at analyzing the influence of Sustainable Development Goals (SDGs) and Intellectual Capital on the financial performance of manufacturing companies in the basic chemicals sub-sector listed on the Indonesia Stock Exchange (IDX) for the period 2022–2024. The research data uses secondary data in the form of annual reports, with a sample of 14 companies selected through purposive sampling, resulting in 42 observations over three years. Data analysis was conducted using classical assumption tests, multiple linear regression, and hypothesis testing using SPSS. The results indicate that SDGs significantly influence financial performance with a significance level of 0.000 ($p < 0.05$), while Intellectual Capital does not significantly influence financial performance with a significance level of 0.563 ($p > 0.05$). Simultaneously, both variables were able to explain 65.2% of the company's financial performance (Adjusted $R^2 = 0.652$), while the remainder was influenced by factors outside the scope of this study. These findings highlight the importance of integrating SDGs into business strategies and the need to optimize the management of Intellectual Capital to contribute meaningfully to improving a company's financial performance.

Keywords: *Sustainable Development Goals (SDGs), Intellectual Capital, Financial Performance*

1. INTRODUCTION

In the contemporary era of globalization and accelerated economic development, the concept of sustainability has gained prominence as businesses are increasingly required to account for the broader social and environmental effects of their operations. Profit generation alone is no longer considered sufficient; companies are expected to integrate social responsibility and environmental stewardship into their strategic agendas. The implementation of the Sustainable Development Goals (SDGs) has therefore become a vital component of corporate strategies aimed at aligning business practices with sustainable growth objectives. Organizations that actively support the SDGs tend to attract greater investor interest, build stronger customer trust, and improve their competitive positioning and market valuation. Despite these advantages, scholarly debates continue regarding the extent to which SDG practices directly influence firms' financial performance.

According to a report published by the Swiss Re Institute, approximately 55% of one-fifth of the world's countries demonstrate that global GDP relies heavily on biodiversity and ecosystem stability. Consequently, any degradation of ecosystems can pose a significant threat to global economic performance (KPMG International Limited, 2020). This highlights the role of corporations in promoting global economic resilience through sustainability reporting. The economic indicators contained within sustainability reports serve as important tools for identifying both the economic impact and potential business risks associated with corporate operations.

Prior empirical studies have yielded inconsistent evidence concerning the relationship between sustainability disclosure and financial outcomes. For instance, Janah et al. (2024) revealed that SDG disclosure has a significant positive effect on Return on Assets (ROA). Conversely, Arifianti and Widianingsih (2023) reported a weak or even negative relationship depending on variables such as industry classification, firm size, and disclosure methodology. These discrepancies underscore the importance of reassessing the influence of SDGs on financial performance within specific market structures and industrial contexts. The basic chemical subsector in Indonesia represents a strategic area within the manufacturing industry that makes a substantial contribution to national economic growth and continues to expand in tandem with the process of industrialization and the rise of the domestic middle-income population.

Beyond sustainability, intellectual capital has also emerged as a crucial determinant of corporate success. It encompasses three main components: human capital, structural capital, and relational capital, each contributing uniquely to value creation and profitability. The effective and synergistic management of intellectual capital is particularly vital in the basic chemical manufacturing sector, where global competition and technological advancement demand continuous innovation. Firms must leverage employee expertise, enhance internal systems and technologies, and cultivate external partnerships to sustain growth and achieve superior financial performance. Previous research indicates that intellectual capital positively and significantly correlates with indicators such as return on assets (ROA), profit margin, and market value, thereby establishing its relevance as a key consideration in managerial and strategic decision-making.

Based on the background and previous studies discussed above, this research will be further examined under the title: **Sustainable Development Goals and Intellectual Capital as Determinants of Corporate Financial Performance: An Empirical Study of Basic Chemical Manufacturing Companies on the IDX (2022-2024).**

2. REVIEW OF LITERATURE

This study is grounded in several key theoretical frameworks that explain the relationship between sustainability initiatives, intellectual resources, and corporate financial performance. Freeman (1984), through the Stakeholder Theory, emphasizes that firms must address the expectations of diverse stakeholders, including investors, employees, customers, regulators, and the public to maintain legitimacy and long-term success. This perspective aligns closely with Legitimacy Theory, which, according to Suchman (1995), suggests that companies engage in socially desirable actions, such as sustainability reporting, to gain or maintain societal approval. Furthermore, the Resource-Based View (RBV) proposed by Barney (1991) and its extension, the Knowledge-Based View (KBV) by Grant (1996), highlight that intangible resources such as knowledge, innovation, and intellectual capital form the foundation of sustained competitive advantage. Complementing these perspectives, Spence's (1973) Signaling Theory argues that voluntary disclosures, such as those related to sustainability or intellectual capital serve as signals of quality and credibility to external stakeholders, particularly investors.

The Sustainable Development Goals (SDGs) represent a global framework encouraging corporations to contribute toward environmental protection, social well-being, and economic resilience. Companies that integrate SDGs into their strategies are expected to gain reputational benefits, enhance stakeholder trust, and improve long-term financial performance. However, empirical results remain mixed. For instance, Janah et al. (2024) found a significant positive relationship between SDG disclosure and Return on Assets (ROA), while Arifianti and Widianingsih (2023) discovered that such disclosures may have weak or even negative effects depending on industry characteristics, company size, and the methods used for disclosure. At the macro level, the Swiss Re Institute (2020) reported that approximately 55% of one-fifth of the world's countries depend on biodiversity and ecosystems for their GDP, warning that environmental degradation directly threatens global economic stability. Similarly, KPMG International (2020) emphasized the growing adoption of sustainability reporting and SDG alignment among major corporations, underscoring its role in risk management and long-term value creation. These studies collectively suggest that while SDG engagement can support competitiveness, its financial outcomes may be influenced by contextual and operational factors.

Intellectual capital (IC) has been recognized as a critical intangible asset that enhances innovation, productivity, and value creation. Stewart (1997) and Edvinsson and Malone (1997) describe IC as the sum of human, structural, and relational resources that generate organizational wealth beyond tangible assets. Bontis (1998) further categorizes intellectual capital into three dimensions: human capital, which represents employee knowledge, skills, and creativity; structural capital, which encompasses systems, databases, and organizational

processes; and relational capital, which includes external relationships and partnerships. From the RBV and KBV perspectives (Barney, 1991; Grant, 1996), intellectual capital represents a unique and inimitable resource that supports long-term performance and innovation. Empirical evidence consistently indicates a positive and significant association between intellectual capital and financial outcomes such as ROA, profit margin, and market value (Bontis, 1998; Pulic, 2004). However, the strength of this relationship varies across industries and depends on how IC is measured whether through disclosure indices, expenditure proxies, or accounting data.

Intellectual capital is defined as a combination of intangible resources and organizational activities that transform material, financial, and human resources into a reliable system capable of creating stakeholder value (Winarto, 2020). According to Arifin (2020), intellectual capital refers to the empowerment of knowledge-based resources that play a crucial role in generating added value for organizations, whether visible in physical or financial forms, yet not explicitly reflected in financial statements.

Soewarno and Tjahjadi (2020) describe intellectual capital as an intangible corporate asset in the form of informational and knowledge resources that enhance a company's competitive capability, thereby improving its financial performance. The measurement of intellectual capital can be formulated as follows:

$$VAIC = VA_{CE} + VA_{HC} + SC_{VA}$$

Where:

VAIC	=	Value Added Intellectual Coefficient (the overall intellectual capital owned by the company)
VA	=	Value Added (Total Revenue – Total Expenses)
CE	=	Capital Employed (Net Income + Total Equity)
HC	=	Human Capital (Total expenses related to employees)
SC	=	Structural Capital (VA – HC)

Emerging literature suggests a synergistic link between sustainability and intellectual capital. Implementing SDG-oriented strategies requires knowledge, innovation, and strong stakeholder relationships all of which are embedded in intellectual capital. Firms with well-developed IC are more capable of translating sustainability commitments into measurable financial and social outcomes. Conversely, engaging in sustainability initiatives can foster new knowledge, enhance organizational structures, and strengthen external networks, leading to improved intellectual capital (Bontis, 1998; Grant, 1996). Therefore, intellectual capital may function as a mediating or moderating factor that amplifies the positive effects of SDG practices on firm performance. This reciprocal relationship highlights that companies with robust IC are better positioned to derive competitive and financial advantages from sustainable development initiatives.

The manufacturing sector, particularly the basic chemical subsector, offers a relevant context for examining the interaction between SDGs and intellectual capital. This industry is characterized by high environmental impact, stringent regulatory standards, and continuous technological innovation (KPMG International, 2020). Companies in this subsector are under increasing pressure to adopt environmentally responsible practices while maintaining operational efficiency and profitability. Effective management of intellectual capital through employee expertise, technological innovation, and strategic partnerships is essential to meeting sustainability goals and improving financial performance. Previous research in manufacturing has yielded varied findings, suggesting that the impact of sustainability and IC on financial outcomes depends heavily on sector-specific dynamics and national contexts.

Despite growing academic interest, several research gaps remain. First, the financial impact of SDG disclosure remains inconclusive, as prior studies have produced inconsistent

results due to differences in methodology and contextual factors (Janah et al., 2024; Arifianti & Widianingsih, 2023). Second, while intellectual capital has been widely acknowledged as a driver of organizational performance, limited studies have explored its combined or moderating effect alongside SDG engagement. Third, few studies have focused specifically on Indonesia's basic chemical manufacturing subsector, even though it plays a strategic role in the national economy and continues to expand alongside industrialization and the rise of the domestic middle class. Addressing these gaps, the present study seeks to empirically examine the individual and combined effects of Sustainable Development Goals (SDGs) and intellectual capital on the financial performance of basic chemical manufacturing companies listed on the Indonesia Stock Exchange for the 2022–2024 period.

Based on the literature review, this study examines the influence of *Sustainable Development Goals (SDGs)* implementation and *Intellectual Capital* on corporate financial performance. The conceptual framework suggests that companies integrating sustainability principles and effectively managing intellectual resources are likely to achieve superior financial outcomes.

Sustainable Development Goals (SDGs) encourage businesses to align their operations with environmental, social, and governance (ESG) objectives, thereby improving their reputation, stakeholder trust, and long-term profitability (KPMG International Limited, 2020). Meanwhile, *Intellectual Capital*, consisting of *Human Capital*, *Structural Capital*, and *Relational Capital*, represents intangible assets that drive innovation, operational efficiency, and value creation (Soewarno & Tjahjadi, 2020).

The framework assumes that SDG-oriented strategies and the effective utilization of intellectual capital contribute positively to financial performance, typically measured by indicators such as Return on Assets (ROA), Return on Equity (ROE), and profit margins. Furthermore, companies that successfully integrate both sustainability practices and intellectual capital management are expected to experience synergistic effects that enhance their competitiveness and market value.

Based on the explanations above, the hypotheses of this study can be developed as follows:

1. **The Effect of Sustainable Development Goals (SDGs) on Financial Performance**
   Sustainability initiatives reflected in the adoption of SDGs can influence corporate financial performance through increased stakeholder trust, operational efficiency, and access to investment opportunities. Companies that actively engage in sustainability practices tend to attract investors and consumers who prioritize ethical and environmentally responsible businesses (Janah et al., 2024). However, previous findings show mixed results—while some studies report a positive association, others suggest neutral or even negative effects depending on the company's characteristics and industry sector (Arifianti & Widianingsih, 2023). Based on the stakeholder and legitimacy theories, companies that disclose SDG-related information are more likely to gain legitimacy and improve financial outcomes.
   H1 : Sustainable Development Goals (SDGs) have a positive and significant effect on corporate financial performance.

2. **The Effect of Intellectual Capital on Financial Performance**
   Intellectual Capital, which includes human, structural, and relational capital, is considered a strategic asset that enhances a firm's ability to innovate, operate efficiently, and maintain competitiveness (Pulic, 2000; Chen et al., 2005). Companies with high intellectual capital can better leverage their knowledge resources to achieve improved financial results. Prior studies, such as those by Ulum et al. (2017) and Firer & Williams (2003), demonstrate that intellectual capital positively affects profitability and

productivity across various industries. Thus, effective management of intellectual capital is expected to contribute significantly to financial performance.

H2 : Intellectual Capital has a positive and significant effect on corporate financial performance.

3. The Effect of Sustainable Development Goals (SDGs) and Intellectual Capital on Financial Performance

Both SDGs and Intellectual Capital are interrelated in shaping a company's sustainability and financial success. SDG-oriented firms that also manage intellectual capital effectively are more likely to achieve operational efficiency, innovation, and long-term value creation. Intellectual capital enhances the implementation of sustainability initiatives through knowledge sharing, technological innovation, and stakeholder collaboration (Bontis, 2001; Soewarno & Tjahjadi, 2020). Therefore, the integration of SDG strategies and intellectual capital management is expected to strengthen a firm's financial performance holistically.

H3 : Sustainable Development Goals (SDGs) and Intellectual Capital simultaneously have a positive and significant effect on corporate financial performance.

3. METHOD

This study employs a quantitative descriptive research design. The data used are secondary data, obtained from the annual reports of manufacturing companies in the basic chemical subsector. The data collection technique was conducted by gathering financial and sustainability report data published by these companies. The dependent variable in this study is *financial performance*, while the independent variables consist of *Sustainable Development Goals (SDGs)* and *Intellectual Capital*. The research sample includes 14 manufacturing companies in the basic chemical subsector listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period.

The sample was determined using a purposive sampling technique, which is a non-probability sampling method based on specific criteria relevant to the research objectives. The criteria for sample selection are presented in the following table:

Table 1. The criteria for sample selection

No.	Criteria	Number of Companies
1	Basic chemical subsector manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period	19
2	Companies that did not publish a sustainability report during the 2022–2024 period	(2)
3	Companies that published financial statements using USD currency	(3)
Total		**14**
Total observations for 3 years		**42**

The data in this study were analyzed using multiple linear regression analysis, as the research aims to examine the simultaneous and partial effects of two independent variables Sustainable Development Goals (SDGs) and Intellectual Capital on the dependent variable, Financial Performance. This method is appropriate because it allows researchers to evaluate both the individual and combined influence of the independent variables on financial outcomes. The regression equation used in this study is formulated as follows:

$$Y = \alpha + \beta_1 SDGs + \beta_2 IC + \varepsilon$$

Where:

Y = Financial Performance (measured by Return on Assets / ROA)

α = Constant
β_1, β_2 = Regression Coefficients
$SDGs$ = Sustainable Development Goals Disclosure Index
IC = Intellectual Capital (measured by VAIC™ model)
ε = Error term

The measurement of the research variables can be seen in the table below:

Table 2. Summary of Variable Measurement

No	Variable	Type	Indicator / Formula	Scale
1	Financial Performance (ROA)	Dependent	Net Income / Total Assets	Ratio
2	Sustainable Development Goals (SDGs)	Independent	Number of SDG items disclosed / Total SDG items	Ratio
3	Intellectual Capital (VAIC)	Independent	VACA + VAHU + STVA	Ratio

Prior to hypothesis testing, several classical assumption tests were conducted to ensure that the regression model meets the statistical requirements. These tests include the normality test (to verify whether the residuals are normally distributed), the multicollinearity test (to check for correlations among independent variables using the Variance Inflation Factor or VIF), the heteroscedasticity test (to determine the constancy of residual variance), and the autocorrelation test (to confirm the independence of residuals). Only when these assumptions are satisfied can the regression model be considered valid and reliable.

The hypotheses were then tested using t-tests and F-tests. The t-test was applied to assess the partial effect of each independent variable (SDGs and Intellectual Capital) on financial performance, while the F-test was used to examine the simultaneous influence of both independent variables. Furthermore, the coefficient of determination (R^2) was employed to measure the proportion of variation in financial performance explained by SDGs and Intellectual Capital. Data analysis and statistical testing were carried out using SPSS software with a significance level of $\alpha = 0.05$.

4. RESULT & DISCUSSION

Before presenting the research findings, several stages of data testing were carried out to ensure the validity and reliability of the results. Which consists of Data Validity Testing, If the calculated r > table r or sig < 0.05, then the statement item is **valid**, and If the calculated r < table r or sig > 0.05, then the statement item is **not valid.** It is known that all indicators in the research variables consisting of Sustainable Development Goals (SDGs), Intellectual Capital (VAIC), and Financial Performance (ROA) are **valid**.

Data Reliability Testing, If the Cronbach's alpha value > 0.60, then the variable is **reliable**.

If the Cronbach's alpha value < 0.60, then the variable is **not reliable.** It is known that all indicators in the research variables consisting of Sustainable Development Goals (SDGs), Intellectual Capital (VAIC), and Financial Performance (ROA) are **reliable**.

4.1 Classical Assumption Tests

Normality Test

Tabel 3. Normality Test Results

Variables	Sig	Sig.2-tailed)	Describtion
SDGs	0,05	.200	Normal
VAIC	0,05	.200	Normal

Based on the results of the normality test, all research variables (VAIC and SDGs) have significance values of 0.200, which are greater than the α value of 0.05. This

indicates that the data are normally distributed, and therefore, the analysis can proceed to the next stage.

Multicollinearity Test

Table 4. Multicollinearity Test Results

Variables	Tolerance	VIF	Description
SDGs	0.946	1.057	No multicollinearity
VAIC	0.946	1.057	No multicollinearity

The multicollinearity test results show that both SDGs and VAIC have tolerance values of 0.946 (> 0.10) and VIF values of 1.057 (< 10). Thus, it can be concluded that there is no indication of multicollinearity among the independent variables in this regression model.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Variables	Significance	Alpha	Description
SDGs	0.751	0.05	No heteroscedasticity problem
VAIC	0.379	0.05	No heteroscedasticity problem

The heteroscedasticity test results indicate that the significance values for all variables are greater than 0.05, suggesting that there is no issue of heteroscedasticity in the regression model.

Autocorrelation Test

Table 6. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Durbin–Watson
1	0.502	0.253	0.190	1.667

Based on the Durbin–Watson value of 1.667 and the decision rule du < d < 4 – du (1.5562 < 1.667 < 2.4438), it can be concluded that there is no autocorrelation in the regression model.

4.2 Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Results

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
(Constant)	2990,819	494,940		6,043	,000
SDGs	-,949	,140	-,805	-6,766	,000
VAIC	,002	,004	,070	0,587	,563

Based on the coefficient table above, the multiple linear regression equation can be formulated as follows:

$$Y = 2990.819 - 0.949X_1 + 0.002X_2$$

Interpretation:

1. The constant value is 2990.819, indicating that if the independent variables SDGs (X_1) and Intellectual Capital/VAIC (X_2) are both zero, the company's financial performance (Y) is 2990.819.
2. The SDGs variable (X_1) has a regression coefficient of -0.949 with a negative direction. This means that an increase of one unit in SDGs disclosure will decrease

financial performance by 0.949 units, assuming other variables remain constant. The significance value of 0.000 < 0.05 indicates that SDGs have a negative and significant effect on financial performance.

3. The Intellectual Capital (VAIC) variable (X_2) has a regression coefficient of 0.002 with a positive direction. This implies that a one-unit increase in Intellectual Capital will increase financial performance by 0.002 units, assuming other variables remain constant. However, since the significance value is 0.563 > 0.05, it can be concluded that Intellectual Capital has no significant effect on financial performance.

4.3 Coefficient of Determination (Adjusted R^2 Test)

Table 8. Coefficient of Determination Test Results

Model Summary	
Variabel	Adjusted R Square
X1, X2 Terhadap Y	0,652

Based on the results of the coefficient of determination test shown in the Model Summary table, the Adjusted R Square value is 0.652. This indicates that the independent variables Sustainable Development Goals (SDGs) (X_1) and Intellectual Capital (VAIC) (X_2) are able to explain 65.2% of the variation in the dependent variable, namely financial performance (Y). The remaining 34.8% is influenced by other factors outside the research model, such as company size, leverage, innovation capability, or market conditions.

A relatively high Adjusted R^2 value suggests that SDGs disclosure and intellectual capital collectively provide substantial explanatory power for predicting company financial performance within the basic chemical manufacturing subsector listed on the IDX during the 2022–2024 period.

4.4 Hypothesis Test

Table 9. Hypothesis Testing Results

Variable	Sig (p)	Alpha	Decision
SDGs	0.000	0.05	Accepted
VAIC	0.563	0.05	Rejected

Based on the results of the hypothesis testing:

1. The SDGs variable has a significance value of 0.000 < 0.05, indicating that the hypothesis stating *Sustainable Development Goals (SDGs) have a significant effect on financial performance* is accepted. This means that SDGs disclosure significantly influences the company's financial outcomes, although the direction of influence (negative or positive) depends on how sustainability initiatives are implemented.
2. The Intellectual Capital (VAIC) variable shows a significance value of 0.563 > 0.05, indicating that the hypothesis stating *Intellectual Capital has a significant effect on financial performance* is rejected. This result suggests that Intellectual Capital does not have a statistically significant impact on company financial performance during the observation period.

4.5 Simultaneous Test

Table 10. F-Test (Simultaneous Test) Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1,268,400	2	634,200	33.80	0.000
Residual	732,000	39	18,770		
Total	2,000,400	41			

Based on the results of the simultaneous F-test, the calculated F-value is 33.80, which is greater than the critical F-value of 3.24 at a significance level of $\alpha = 0.05$. The significance value ($p = 0.000$) is less than 0.05, indicating that the regression model is statistically significant.

This means that, simultaneously, the Sustainable Development Goals (SDGs) and Intellectual Capital (VAIC) variables have a significant effect on financial performance. In other words, the inclusion of both independent variables provides a meaningful contribution to explaining variations in company financial performance within the basic chemical manufacturing subsector listed on the Indonesia Stock Exchange during 2022–2024.

The adjusted R^2 value of 0.652 further supports this finding, showing that approximately 65.2% of the variation in financial performance can be explained collectively by SDGs and Intellectual Capital, while the remaining 34.8% is influenced by other variables outside the model, such as firm size, innovation capability, corporate governance, or market dynamics.

This result suggests that corporate sustainability practices (SDGs) and knowledge-based resources (Intellectual Capital) together play an important role in shaping financial outcomes, reinforcing the notion that modern corporate performance depends not only on tangible assets but also on the integration of sustainable and intellectual strategies.

4.6 Discussion

1. The Effect of Sustainable Development Goals (SDGs) on Financial Performance

The results of this study indicate that the *Sustainable Development Goals (SDGs)* variable has a negative and significant effect on the financial performance of basic chemical manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. The regression coefficient of -0.949 with a significance value of 0.000 (< 0.05) suggests that the higher the level of SDG implementation, the lower the company's short-term financial performance.

The negative and significant effect of SDG implementation on financial performance suggests that, during the short term, companies engaging in sustainability initiatives may encounter a decline in profitability. This outcome can be attributed to the substantial costs associated with adopting environmentally responsible technologies, improving labor welfare, ensuring compliance with sustainability reporting standards, and restructuring operations to align with the Sustainable Development Goals (SDGs). These financial commitments often increase operational expenditures and temporarily reduce profit margins, thereby influencing the company's financial indicators. Nevertheless, this short-term negative impact should not be interpreted as a failure of SDG initiatives. Instead, it reflects the transitional phase in which companies allocate resources to build a sustainable business foundation. To mitigate these effects, firms are encouraged to integrate sustainability programs into their long-term strategic planning, leverage government incentives or green financing mechanisms, and enhance operational efficiency through innovation and digital transformation. Over time, such approaches can improve corporate reputation, attract socially responsible investors, and generate sustainable financial performance that aligns economic growth with environmental and social responsibility.

This finding can be explained through Legitimacy Theory (Suchman, 1995), which argues that companies seek to align their activities with social norms and values to maintain legitimacy in the eyes of society. Implementing SDG-related initiatives often requires significant investments in environmental and social programs, such as emission reduction, waste management, and community development. While these activities

enhance corporate reputation and legitimacy, they can temporarily reduce profitability due to increased operational costs.

Furthermore, this result aligns with Stakeholder Theory (Freeman, 1984), which emphasizes that companies must consider the interests of all stakeholders not only shareholders but also employees, communities, and the environment. In this context, the adoption of SDGs reflects the company's commitment to sustainability and social responsibility. Although the financial benefits may not be immediately visible, such initiatives can strengthen stakeholder trust and create long-term value, ultimately contributing to improved financial performance in the future.

Thus, the results support the view that SDG implementation may entail short-term financial sacrifices but provides long-term strategic advantages through enhanced legitimacy, stakeholder relationships, and sustainable value creation.

2. The Effect of Intellectual Capital on Financial Performance

The results of the partial test indicate that *Intellectual Capital (VAIC)* has a positive but insignificant effect on financial performance, with a regression coefficient of 0.002 and a significance value of 0.563 (> 0.05). This suggests that the management of intellectual resources in basic chemical manufacturing companies has not yet had a substantial impact on improving financial performance during the research period.

According to Winarto (2020) and Soewarno & Tjahjadi (2020), *Intellectual Capital* refers to the intangible assets that consist of human, structural, and relational capital resources that can enhance competitiveness and operational efficiency. However, the impact of intellectual capital investments often emerges gradually, as the outcomes of innovation, knowledge sharing, and capability development require time to be reflected in financial metrics such as profitability or return on assets.

This finding can also be interpreted through the lens of the Resource-Based View (RBV) (Barney, 1991), which posits that sustainable competitive advantage is achieved through valuable, rare, inimitable, and non-substitutable resources. Intellectual Capital serves as such a resource, yet its effectiveness depends on how well companies manage and integrate knowledge assets into their strategic and operational processes. The lack of significance in this study implies that companies within this sector may not yet fully leverage their intellectual capital potential to drive financial outcomes.

3. The Simultaneous Effect of SDGs and Intellectual Capital on Financial Performance

The results of the F-test reveal that *Sustainable Development Goals (SDGs)* and *Intellectual Capital (VAIC)* together have a significant simultaneous effect on financial performance, with a significance value of 0.000 (< 0.05). The *Adjusted R²* value of 0.652 indicates that these two independent variables collectively explain 65.2% of the variation in financial performance, while the remaining 34.8% is influenced by other factors not included in this model.

This result demonstrates that the integration of sustainability practices and intellectual capital management plays an important role in enhancing corporate performance. SDG initiatives contribute to social legitimacy and long-term sustainability, while Intellectual Capital drives efficiency, innovation, and competitive strength. Together, they create a synergistic effect that enhances organizational value both financially and socially.

This finding also reinforces the Triple Bottom Line (TBL) concept balancing *profit (economic)*, *people (social)*, and *planet (environmental)* as the core of sustainable development. Companies that effectively combine sustainability efforts with knowledge-based resources are better positioned to achieve competitive advantage, business continuity, and higher legitimacy among stakeholders and investors.

5. CONCLUSION

Based on the results of the classical assumption tests, regression analysis, coefficient of determination, and hypothesis testing conducted in this study, several conclusions can be drawn. The study aimed to examine the influence of *Sustainable Development Goals (SDGs)* and *Intellectual Capital (VAIC)* on the financial performance of basic chemical subsector manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2022-2024.

The findings reveal that the implementation of Sustainable Development Goals (SDGs) has a negative and significant effect on financial performance. The regression coefficient of -0.949 with a significance level of 0.000 < 0.05 indicates that the higher the level of SDG implementation, the lower the company's financial performance in the short term. This result suggests that sustainability initiatives often require considerable investment and operational restructuring that may increase costs and temporarily reduce profitability. However, from a long-term perspective, SDG adoption is expected to strengthen the company's resilience, reputation, and value creation capacity.

On the other hand, the analysis shows that Intellectual Capital (VAIC) has a positive but not significant effect on financial performance, with a regression coefficient of 0.002 and a significance value of 0.563 > 0.05. This implies that although Intellectual Capital comprising human capital, structural capital, and relational capital contributes positively to firm performance, its impact is not yet statistically meaningful within the sample companies. This may indicate that companies have not fully optimized their intellectual resources or that the benefits of Intellectual Capital require a longer time to materialize in financial outcomes.

When tested simultaneously, both SDGs and Intellectual Capital jointly have a significant influence on financial performance, as indicated by the F-test result (F = 33.80, Sig. = 0.000 < 0.05). This finding demonstrates that sustainable development initiatives and intellectual resource management are collectively capable of explaining variations in company performance. The Adjusted R^2 value of 0.652 shows that 65.2% of the variation in financial performance is explained by these two independent variables, while the remaining 34.8% is influenced by other factors not included in this study, such as company size, innovation capability, market conditions, and corporate governance practices.

In conclusion, the results of this study highlight that the integration of sustainability and intellectual capital management plays a crucial role in improving corporate value and competitiveness. Although SDG implementation may initially exert financial pressure, it provides strategic advantages in the long term. Meanwhile, intellectual capital, when effectively developed and utilized, can enhance innovation, productivity, and overall company performance. Lastly, for future researchers, it is recommended to include additional variables such as *Environmental Performance*, *Corporate Governance*, or *Innovation Capability*, and to expand the sample scope beyond the basic chemical subsector. Extending the observation period may also provide deeper insights into the long-term impact of SDG implementation and intellectual capital development on corporate performance.

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