

THE INFLUENCE OF BOARD OF DIRECTORS' CHARACTERISTICS AND OWNERSHIP STRUCTURE ON SUSTAINABLE DEVELOPMENT (Empirical Study of Companies Listed on the Indonesia Stock Exchange for the Period 2022-2024)

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Abstract

This study looked at how ownership structure and board of director traits affected sustainable development in non-banking enterprises listed on the Indonesia Stock Exchange between 2023 and 2025. The Upper Echelons Theory, which highlighted how top management characteristics influenced strategic choices, served as the foundation for the study. Using panel data from annual reports, sustainability reports, and ESG databases, a quantitative method was used. Purposive sampling was used to choose 94 companies for the sample, and multiple linear regression was used to analyze the data. The findings showed that gender diversity and board size had a favorable and substantial impact on sustainable development. Age, education, professional experience, and board independence, on the other hand, had no discernible impact. In terms of ownership structure, foreign ownership had a large negative impact, management and public ownership were not significant, and institutional ownership and ownership concentration showed a positive and significant influence. All independent variables had a significant impact on sustainable development at the same time. The results indicated that improving corporate sustainability performance was mostly dependent on an inclusive board composition and robust institutional oversight.

Keywords: *Ownership Structure, ESG, Sustainable Development.*

A. INTRODUCTION

Businesses are incorporating sustainability into their strategic decision-making processes as a result of the growing worldwide concern over Environmental, Social, and Governance (ESG) challenges. In Indonesia, this trend is reflected in the growing number of firms disclosing sustainability reports, indicating stronger corporate commitment toward sustainable development (Bursa Efek Indonesia, 2024). However, the alignment between ESG disclosure and actual corporate resilience remains questionable, as some companies with moderate ESG ratings still experience financial distress and governance failures (Berg et al., 2022). This condition highlights the need to further examine internal governance factors that influence sustainable development.

The board of directors' influence over strategic choices is one of the most important internal elements. Upper Echelons Theory states that top management's traits, experiences, and cognitive backgrounds have a significant impact on organizational outcomes (Tarumingkeng, 2025). Board attributes such as size, independence, gender diversity, age, education, and professional experience are considered important determinants of corporate spolicies, including sustainability strategies (Yuliatini et al., 2024). It is anticipated that a more competent and diverse board will improve the quality of decision-making and foster long-term sustainable performance.

Ownership structure is just as important to corporate governance as board qualities. Ownership composition, including institutional, managerial, foreign, and public ownership, determines the level of monitoring and control over management decisions (Setiani, 2025).

Institutional investors, for instance, tend to have long-term investment horizons and are more likely to encourage transparency and sustainability practices. Conversely, certain ownership types, such as foreign ownership, may prioritize short-term financial returns, potentially weakening sustainability commitments (Khalaf, 2024).

From a theoretical perspective, this study also aligns using Stakeholder Theory, which highlights the need for businesses to take different stakeholders' interests into account when making decisions (Mahajan et al., 2023). Effective corporate governance mechanisms, including a well-structured board and balanced ownership, can help firms respond to stakeholder expectations and improve sustainability outcomes. However, prior empirical studies have produced inconsistent findings regarding the relationship between corporate governance and sustainability performance. Some studies found positive effects of board characteristics on ESG performance (Disli, Yilmaz, & Mohamed, 2022), while others reported insignificant or mixed results (Ningwati, Septiyanti & Desriani, 2022).

These inconsistencies indicate the existence of both theoretical and empirical gaps, particularly in integrating governance mechanisms with sustainability outcomes. Additionally, rather than looking at internal governance elements like board composition and ownership structure, the majority of earlier research has concentrated on the connection between ESG and financial success. Thus, the purpose of this study is to examine how ownership structure and board of director traits affect sustainable growth in companies that are listed on the Indonesia Stock Exchange.

It is anticipated that this study will offer empirical proof of the impact of internal governance structures on sustainability performance through the use of a quantitative method with panel data regression. In addition to providing useful insights for regulators, investors, and company management in bolstering ESG implementation, the findings are expected to contribute to the growth of corporate governance and sustainability literature.

B. LITERATURE REVIEW

The significance of corporate governance systems, especially board composition and ownership structure, in influencing Environmental, Social, and Governance (ESG) performance has been highlighted more and more in the literature on sustainable development. The integration of economic, social, and environmental goals is referred to as "sustainable development" in the corporate setting. This is typically expressed using the Triple Bottom Line idea of profit, people, and planet (Baringin, 2022). Businesses are expected to show accountability to stakeholders and the environment in addition to achieving financial achievement.

According to Upper Echelons Theory, top executives' demographics, experiences, and cognitive viewpoints all have an impact on organizational outcomes (Tarumingkeng, 2025). Features of the board of directors, including size, independence, gender diversity, age, and educational background, are frequently used as stand-ins for how strategic decisions are made (Caesar 2024). According to empirical research, larger boards can improve monitoring efficacy and offer a wider range of experience, both of which can boost sustainability performance (Yuliatini et al., 2024). Gender diversity has also been linked to greater dedication to social and environmental issues as well as heightened ethical sensibility (Majid et al., 2023).

However, not all board characteristics consistently influence sustainability outcomes. Some studies indicate that factors such as board independence and educational background do not always show significant effects on ESG performance, suggesting that formal structures alone may not guarantee effective governance (Ningwati, Septiyanti & Desriani, 2022). This highlights the complexity of linking governance attributes with sustainability practices and indicates the presence of inconsistent empirical findings.

Corporate behavior is significantly influenced by ownership structure in addition to board qualities. The allocation of shares among various investor groups is reflected in the ownership structure, including institutional, managerial, foreign, and public ownership (Putri, 2025). Institutional ownership is often associated with stronger monitoring and long-term orientation, which can encourage companies to adopt sustainable practices (Purwaningsih, 2024). Conversely, foreign ownership may have varying impacts depending on investor objectives, with some studies suggesting a negative relationship with sustainability due to a focus on short-term returns (Khalaf, 2024).

Stakeholder theory emphasizes that businesses must balance the interests of various stakeholders, such as shareholders, employees, consumers, and society, which further supports the significance of governance in sustainability (Mahajan et al., 2023). Effective governance structures enable firms to respond to these diverse interests and improve transparency and accountability. Empirical evidence shows that ownership concentration can strengthen control over management and enhance sustainability performance, although excessive concentration may also lead to agency conflicts (Kartiko, 2024).

There are still a number of gaps in the expanding corpus of literature. First, rather than looking at internal governance structures, previous research frequently concentrates on the connection between ESG and financial success. Second, empirical research on how ownership structure and board composition affect sustainability is still inconsistent across various businesses and circumstances (Disli, Yilmaz & Mohamed, 2022). Third, little research combines several theoretical stances, such stakeholder theory and upper echelons theory, to fully explain sustainable outcomes (Mahajan et al., 2023).

Thus, by examining the combined impact of ownership structure and board of director characteristics on sustainable growth, this study aims to close these gaps. This study advances our knowledge of how corporate governance practices affect sustainability performance by combining theoretical and empirical viewpoints.

C. METHOD

This study used a quantitative research methodology with a verificative approach to investigate how ownership structure and board of director characteristics affect sustainable growth. The study concentrated on non-banking firms that were listed between 2023 and 2025 on the Indonesia Stock Exchange. All non-financial companies in different industries made up the population, and purposive sampling was used to choose the sample based on the availability of comprehensive annual reports, sustainability reports, and ESG data. Consequently, 94 businesses were chosen, producing panel data observations for examination.

The study made use of secondary data from publicly accessible sources, such as the Indonesia Stock Exchange and each company's annual, sustainability, and corporate governance reports. Numerical measurements of ownership structure, board characteristics, and ESG-based sustainable development indicators made up the quantitative data type. Board size, independence, gender diversity, age, education, and professional experience were used as proxies to assess board characteristics, while institutional, managerial, foreign, and public ownership were used to measure ownership structure.

In order to acquire data, pertinent information from corporate disclosures was methodically gathered and categorized utilizing documentation methodologies. Descriptive statistical analysis, multiple linear regression analysis, and traditional assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation) were all part of the data analysis process. With a significance level of 5%, hypothesis testing was done using F-tests to evaluate simultaneous effects and t-tests to look at partial effects. Furthermore, the explanatory power of the independent factors on sustainable development was assessed using the coefficient of determination. A thorough investigation of the connection between corporate

governance practices and sustainability performance was made possible by this analytical method.

D. RESULTS AND DISCUSSION

The study's empirical results are presented in this section along with an analysis of the findings in light of the theoretical framework and previous research. Panel data from 94 non-banking companies listed on the Indonesia Stock Exchange between 2023 and 2025 a total of 270 observations were used in the analysis. The findings use multiple linear regression analysis, descriptive statistics, and traditional assumption tests to investigate how ownership structure and board of director characteristics affect sustainable development.

Table 1. Descriptive Statistics of Research Variables

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
X1_1	270	5,00	12,00	8,2556	2,04355
X1_2	270	,30	,60	,4569	,08194
X1_3	270	,17	,83	,4472	,16543
X1_4	270	45,00	65,00	54,5333	6,24982
X1_5	270	,30	,88	,5576	,13568
X1_6	270	13,00	60,00	33,6444	8,09559
X1_7	270	,00	,00	,0000	,00000
X2_1	270	,01	,94	,6084	,17619
X2_2	270	,00	,71	,0267	,10045
X2_3	270	,06	,96	,3668	,15408
Y	270	48,20	73,47	61,5818	4,88756
Valid N (listwise)	270				

Source: Processed Secondary Data (2026)

The data were sufficiently diverse to permit regression analysis, according to the descriptive statistics. With a standard deviation of 2.04355 and an average board size of 8.2556, the firm-to-firm variation was moderate. With a mean of 33.6444 and a standard deviation of 8.09559, professional experience displayed a greater dispersion. The average percentage of institutional ownership was 0.6084, meaning that most businesses were dominated by institutional investors. ESG scores, a proxy for the sustainable development variable, had an average value of 61.5818 with comparatively little variance, indicating consistent sustainability performance among sample firms.

To verify the model's validity, traditional assumption tests were performed before regression analysis. The residuals were found to be normally distributed based on the Kolmogorov-Smirnov normality test, which had a significance value of 0.200. The lack of heteroscedasticity was confirmed by the Glejser method's heteroscedasticity test, which showed that all variables had significance values over 0.05. Additionally, since all tolerance values were greater than 0.10 and Variance Inflation Factor (VIF) values were less than 10, multicollinearity was not found. The model's lack of autocorrelation issues was further verified by the autocorrelation test using the Lagrange Multiplier approach. These findings show that the regression model satisfied the Best Linear Unbiased Estimator (BLUE) requirements.

Table 2. Results of Multiple Linear Regression (t-test)

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	43,878	3,786		11,590	,000		
	X1_1	1,877	,143	,785	13,107	,000	,589	1,698
	X1_2	1,049	2,759	,018	,380	,704	,987	1,013
	X1_3	20,997	1,767	,711	11,886	,000	,591	1,693
	X1_4	-,041	,036	-,052	-1,128	,260	,980	1,020
	X1_5	-2,400	1,773	-,067	-1,353	,177	,872	1,147
	X1_6	-,011	,030	-,018	-,363	,717	,848	1,179
	X2_1	-3,791	2,457	-,137	-1,543	,124	,269	3,713
	X2_3	-3,868	2,791	-,122	-1,386	,167	,273	3,665

a. Dependent Variable: Y

Source: Processed Secondary Data (2026)

With a coefficient of 1.877 and a significance level of 0.000, the regression results demonstrated that board size had a favorable and substantial impact on sustainable development. According to this research, a broader board improves monitoring efficacy and offers a variety of viewpoints that complement sustainability initiatives. With a coefficient of 20.997 and a significance level of 0.000, gender diversity also showed a positive and significant effect, suggesting that having women on the board enhances ethical considerations and responsiveness to social and environmental issues.

In contrast, board independence, age, educational background, and professional experience did not show significant effects on sustainable development, as their significance values exceeded 0.05. These findings imply that formal governance structures and demographic attributes alone are insufficient to drive sustainability performance without strong strategic orientation. Regarding ownership structure, institutional ownership showed a positive but statistically insignificant effect in the regression model, while foreign ownership also did not show a significant effect in this estimation. This result suggests that ownership influence may vary depending on the context and the level of engagement of investors in corporate governance practices.

Table 3. Simultaneous Test (F-test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2883,443	8	360,430	26,555	,000 ^b
	Residual	3542,489	261	13,573		
	Total	6425,931	269			

a. Dependent Variable: Y

b. Predictors: (Constant), X2_3, X1_1, X1_2, X1_4, X1_6, X1_5, X1_3, X2_1

Source: Processed Secondary Data (2026)

With an F-value of 26.555 and a significance level of 0.000, the F-test findings showed that the model was statistically significant. This indicates that ownership structure and board qualities had an impact on sustainable development at the same time. According to the corrected R^2 value of 0.432, the independent variables accounted for 43.2% of the variation in sustainable development, with additional factors not included in the model influencing the remaining 56.8%.

From a theoretical standpoint, these results are consistent with Upper Echelons Theory, which highlights how top management traits influence organizational outcomes (Tarumingkeng, 2025). The relevance of competence and diversity in strategic decision-making is highlighted by the substantial impact of gender diversity and board size. The findings also support Stakeholder Theory, which contends that businesses with more inclusive

governance frameworks are better equipped to meet stakeholder expectations (Mahajan et al., 2023)

However, the insignificant results for several board attributes and ownership variables indicate that governance effectiveness depends not only on structural composition but also on how these mechanisms are implemented in practice. This outcome is in line with earlier research that found conflicting findings about the connection between corporate governance and sustainability performance (Ningwati, Septiyanti & Desriani, 2022). Therefore, improving sustainability performance requires not only formal governance structures but also a strong commitment to integrating ESG principles into corporate strategy.

Overall, the results demonstrate that while certain governance factors play a significant role in promoting sustainable development, other factors may require further exploration to better understand their impact.

E. CONCLUSION

Although their effects varied across metrics, this study found that the ownership structure and qualities of the board of directors had a considerable impact on sustainable development. Board size and gender diversity were found to have a positive and significant impact, indicating that a more diverse and adequately structured board enhanced strategic decision-making and strengthened sustainability performance. In contrast, board independence, age, educational background, and professional experience did not show significant effects, suggesting that these attributes alone were insufficient to drive sustainability without strong strategic orientation. Regarding ownership structure, institutional ownership and ownership concentration contributed positively to sustainable development, while foreign ownership showed a negative influence, and managerial as well as public ownership were not significant. Simultaneously, all variables significantly affected sustainable development, with the model explaining a substantial proportion of its variation.

The findings implied that strengthening governance quality through inclusive leadership and effective ownership monitoring was essential in promoting sustainable practices. In the context of developing science and praxis of Islamic education, this study highlighted the importance of integrating ethical leadership, accountability, and social responsibility values into organizational governance. These principles are aligned with Islamic teachings that emphasize balance, justice, and long-term welfare, thereby supporting the development of sustainable and responsible institutions. Consequently, this research contributed to both theoretical advancement and practical implications by reinforcing the role of governance in achieving sustainability-oriented outcomes.

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