

ANALYSIS OF THE EFFECT OF ESG DISCLOSURE ON FINANCIAL PERFORMANCE AND FIRM VALUE IN ENERGY SECTOR COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE

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Abstract

This study examines the influence of Environmental, Social, and Governance (ESG) disclosure on firm performance within the energy sector listed on the Indonesia Stock Exchange (IDX) over the period 2020–2024. The primary objective is to evaluate the effect of ESG disclosure, measured using indicators based on the Global Reporting Initiative (GRI) Standards, on three key financial performance metrics: Return on Assets (ROA), Return on Equity (ROE), and Tobin's Q. Adopting a quantitative approach with a causal-associative research design, the study utilizes secondary data derived from annual and sustainability reports of 18 energy companies that consistently disclosed ESG information over five consecutive years, resulting in 90 firm-year observations. Data were analyzed using multiple linear regression with the support of SPSS version 25. The findings indicate that ESG disclosure has a statistically significant positive effect on ROE, whereas its impact on ROA and Tobin's Q is not significant. These results imply that ESG disclosure may enhance shareholder returns but does not substantially influence operational efficiency or market valuation. The study suggests that companies should improve the quality and substance of ESG disclosures, and recommends that future research incorporate moderating or mediating variables to better capture the dynamics between ESG practices and firm performance.

Keywords: *ESG disclosure, financial performance, firm value, energy sector, Indonesia Stock Exchange (IDX)*

INTRODUCTION

Environmental, Social, and Governance (ESG) disclosure and sustainability practices have become major concerns for companies around the world. ESG disclosure is widely viewed as a reflection of a company's commitment to sustainability, social responsibility, and sound corporate governance, which in turn can enhance investor trust and market reputation (Fatemi, Glaum, & Kaiser, 2018). The current global economic situation compels businesses to compete more intensely in order to achieve their organizational goals. This intensification of competition drives companies to increase innovation in pursuing their objectives, as firms across various industries strive to outperform competitors and sustain a competitive advantage in the market. Therefore, achieving corporate objectives has become increasingly complex and requires a comprehensive approach that includes sustainable financial performance. In addition to improving financial outcomes, corporate operations are also expected to consider both the positive and negative impacts on the environment through sound environmental management, as well as their social impacts on surrounding communities through social performance (Izzah & Darsono, 2024). In the energy sector, ESG is particularly critical, as businesses in this industry significantly contribute to carbon emissions and environmental degradation. Companies operating in this sector are expected to demonstrate social responsibility and commitment to sustainability, beyond merely pursuing profits (Khan, Serafeim, & Yoon, 2016).

Globally, sustainability reporting has grown rapidly. In corporate sustainability reports, the term Corporate Social Responsibility (CSR) is often referred to as Environmental, Social, and Governance (ESG). ESG disclosure is responsible for assessing company practices through its core indicators: Environmental (E), Social (S), and Governance (G). In Indonesia, the implementation of ESG principles among companies has steadily increased. Publicly listed companies that adopt ESG frameworks often exploit natural resources significantly for financial gain, which in turn has led to considerable environmental damage (Jeanice & Kim, 2023; Mudzakir & Pangestuti, 2023). As a result, various policies and regulations have been introduced requiring all institutions—both financial and non-financial—as well as companies to implement sustainability reports or economic resilience disclosures. Companies must be capable of presenting more transparent and valuable information. Thus, corporate success is highly

dependent on Corporate Social Responsibility (CSR) initiatives and robust corporate governance systems. ESG carries long-term potential and impacts for investment, which are increasingly being acknowledged by stakeholders and shareholders beyond the traditional financial metrics considered by investors (Cardilo & Basso, 2025; Chau, Anh, & Duc, 2025; Marie, Qi, Elgammal, & Elnahas, 2024; Rahmansyah & Mutmainah, 2024). Undoubtedly, analyzing the impact of ESG disclosure serves as an effective tool to measure a company's success in fulfilling its social and environmental responsibilities (Wangi & Aziz, 2022). However, limited research—particularly within the energy sector—has examined the relationship between ESG disclosure, financial performance, and firm value simultaneously. In response to the aforementioned phenomena, this study aims to address two main research questions. First, does ESG disclosure affect the financial performance of energy sector companies listed on the Indonesia Stock Exchange? The financial performance of these companies will be measured using two key indicators: Return on Assets (ROA) and Return on Equity (ROE).

Second, this study aims to examine whether ESG disclosure has an impact on the firm value of energy sector companies listed on the Indonesia Stock Exchange. The indicator used to measure firm value is Tobin's Q. This research is important as it encourages companies to become more transparent and accountable in terms of sustainability practices, while also providing a scientific basis for investors to consider non-financial factors such as ESG in their investment decision-making processes. The problem-solving approach employed in this study is a quantitative approach using linear regression models. The problem-solving strategy is carried out through the following steps: First, the study utilizes the Global Reporting Initiative (GRI) Standards indicators to identify the level of ESG disclosure, which consists of three components: environmental disclosure, social disclosure, and governance disclosure. These are quantified on a scale from 0 to 100.

Second, financial performance is measured using Return on Assets (ROA), calculated by dividing net income by total assets, and Return on Equity (ROE), calculated by dividing net income by shareholders' equity and firm value is measured using Tobin's Q, which is calculated by summing the market capitalization, total liabilities, preferred equity, and minority interest, then dividing the total by the company's total assets. Third, the study analyzes the impact of ESG disclosure on the dependent variables using regression analysis and statistical testing. Through this approach, the researcher can objectively and quantitatively examine the causal relationship between ESG disclosure and two key aspects of corporate performance. The novelty of this study lies in its empirical contribution to understanding the impact of ESG disclosure on two core elements: financial performance—measured by return on assets (ROA) and return on equity (ROE)—and firm value, measured by Tobin's Q, specifically within a sector characterized by high environmental risk. ESG data based on international standards, such as the Global Reporting Initiative (GRI), remain underutilized in the Indonesian context (Silviani, Kamaliah, & Wiguna, 2024). Furthermore, the research period of 2020–2024 is particularly relevant for assessing corporate resilience, as it spans from the onset of the COVID-19 pandemic through the post-pandemic recovery phase. The strength of this study not only lies in the application of a more comprehensive ESG indicator (the GRI Standard), compared to prior studies which typically assess sustainability reports descriptively, but also in its unique focus on the energy sector—an industry that has rarely been the explicit subject of ESG-related research in Indonesia (Aditiya, Ali, & Rahmatika, 2024).

LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory has emerged as a strategic issue that highlights how companies manage their relationships with various stakeholders (Bani-Khalid & Kouhy, 2017). Companies are expected not only to focus on shareholders but also to consider all stakeholders who can influence or be influenced by corporate policies. Donaldson and Preston (1995) emphasize that organizational responsibility encompasses all stakeholders, not just investors or capital owners. Gray et al. (1994), as cited in Ghozali and Chariri (2007), further assert that a company's sustainability depends on stakeholder support. Therefore, companies must address stakeholder expectations and demands through their business activities. Such support can be cultivated through transparent information disclosure—both financial and non-financial—as stakeholders increasingly demand managerial transparency. The disclosure of information plays a critical role in building a company's reputation and maintaining strong relationships with stakeholders. Support provided by stakeholders, such as investment, capital contributions, or product usage, can enhance corporate performance and contribute to profit growth, which is ultimately reflected in profitability ratios.

Signaling theory

Signaling theory, as proposed by Akerlof (1970), asserts that in every transaction, there exists an asymmetry of information between the involved parties. Therefore, companies must provide valuable signals to external

stakeholders. According to Gumanti (2009), these signals are deliberately prepared cues from management aimed at influencing market perceptions, making the quality of the conveyed information critical in shaping investor evaluations of the firm. In practice, non-financial disclosures such as ESG reporting can serve as positive signals, as they contain information on environmental, social, and governance aspects that are increasingly valued by investors. Such positive signals have the potential to enhance investor confidence, increase stock demand, raise share prices, and ultimately strengthen the firm's value.

Legitimacy Theory

Legitimacy theory emphasizes that companies must align their activities with prevailing societal values and norms in order to gain public acceptance (Deegan, 2006). Discrepancies between corporate values and societal expectations often create a legitimacy gap, which can threaten business continuity. Therefore, companies need to evaluate and adapt their practices in accordance with social values as part of a legitimacy strategy (O'Donovan, as cited in Chariri, 2008). One way to reduce this gap is through the disclosure of environmental, social, and governance (ESG) responsibilities, as companies, being part of the broader social system, are expected to foster alignment with community interests. As explained by Dowling and Pfeffer (1975), cited in Ghozali and Chariri (2007), such efforts enhance public recognition, support corporate sustainability, and ultimately contribute to improved organizational performance.

The Effect of ESG Disclosure on Financial Performance (ROA and ROE)

ESG disclosure serves as a communication medium between the company and its stakeholders to build a positive perception, gain legitimacy, and create a favorable corporate image. Stakeholder support plays a crucial role in ensuring business continuity, whether through product consumption or capital provision, both of which strengthen operational activities (Ghozali & Chariri, 2007). Previous studies have demonstrated that a high ESG score contributes to an increase in return on assets (ROA) (Buallay, 2019). This finding supports stakeholder theory and legitimacy theory, both of which emphasize that companies should not only be profit-oriented but also deliver value to all stakeholders and align their activities with prevailing societal norms and values.

Furthermore, ESG disclosure is also viewed as a form of social investment that significantly affects financial performance. Sustainable practices have been proven to drive demand and foster corporate growth (Buallay, 2019). Transparency in both financial and non-financial information reflects corporate concern for the environment, society, employees, and governance quality, thereby reinforcing legitimacy and reducing risk. Stakeholder trust is manifested in continued product usage and capital investment, leading to enhanced production capacity and sales, which in turn improves profitability and return on equity (ROE).

Based on the above discussion, the following research hypotheses are proposed:

H₁: ESG Disclosure has a positive effect on Return on Assets (ROA).

H₂: ESG Disclosure has a positive effect on Return on Equity (ROE).

The Effect of ESG Disclosure on Firm Value (Tobin's Q)

ESG disclosure, which includes information on environmental, social, and governance practices, serves as a positive signal reflecting the company's condition. Such information is expected to increase investor trust, as evidenced by rising stock prices, which ultimately affect firm value. Tobin's Q is used as an indicator to reflect a company's market value as well as its overall performance.

Cecilia et al. (2015) state that market reactions are observable through changes in stock prices and trading volumes in response to the signals issued by companies. When the signals are positive (i.e., good news), the market responds with increased trading activity and higher stock prices, which in turn enhances firm value. ESG disclosure is also believed to contribute to firm value by reducing business risks and improving investor perception (Buallay, 2019).

Thus, the higher the market value of a firm, the better its perceived performance. Based on this discussion, the following research hypothesis is proposed:

H₃: ESG Disclosure has a positive effect on Tobin's Q.

METHOD

Research Variables

The independent variable in this study is ESG disclosure, measured by the total number of ESG-related items disclosed by the company in its sustainability report, based on the Global Reporting Initiative (GRI) Standards. The

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ESG components include environmental disclosure, social disclosure, and governance disclosure. Each GRI disclosure item is assigned a score of 1 if disclosed, and 0 if not disclosed. The dependent variables consist of three measures of corporate performance. First, Return on Assets (ROA), which reflects the company's ability to generate net income from its total assets. Second, Return on Equity (ROE), which indicates the return earned by shareholders on the equity they have invested. Third, Tobin's Q, which represents the firm's market value by comparing the market value of its shares to the book value of its assets.

Population and Samples

The population of this study consists of all energy sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2020–2024. The sample was selected using a purposive sampling method based on the following criteria: (1) the company consistently published both an annual report and a sustainability report throughout the research period, and (2) the company provided complete data related to the research variables (ROA, ROE, Tobin's Q, and ESG disclosure based on the GRI Standards) consecutively for five years (2020–2024). Based on these criteria, out of a total of 90 energy sector companies listed on the IDX, a sample of 18 companies met the requirements for the 2020–2024 period (5 years). Accordingly, the total number of observations used in this study is 90 firm-year data points.

Method of Analysis

This study employs a quantitative approach with a causal associative design, which focuses on analyzing the cause-and-effect relationships between the independent and dependent variables. The research data is based on secondary data, obtained from the annual reports and sustainability reports of energy sector companies during the period 2020–2024, as published on the Indonesia Stock Exchange (IDX) and on the official websites of the respective companies. Data processing was carried out using SPSS version 25, through the following analytical steps: descriptive statistical analysis, classical assumption testing, multiple linear regression analysis, t-tests, and coefficient of determination (R^2) testing. In this study, three regression models are applied, as outlined below:

$$\text{Model 1 } ROA_{it} = \beta_0 + \beta_1 ESGD_{it} + \epsilon_{it}$$

$$\text{Model 2 } ROE_{it} = \beta_0 + \beta_1 ESGD_{it} + \epsilon_{it} \quad \text{Model 3 } TQ_{it} = \beta_0 + \beta_1 ESGD_{it} + \epsilon_{it}$$

Keterangan:

ESGD : The total number of ESG items disclosed by the company based on the GRI Standards, covering environmental, social, and governance disclosures. The disclosure score ranges from 0 to 100.

ROA : Measures a company's ability to generate net income from its total assets, calculated by dividing net income by total assets

ROE : Indicates the return on net income relative to the equity invested by shareholders.

TQ : Represents the market value of the company, calculated by summing market capitalization, total liabilities, preferred equity, and minority interest, then dividing the result by total assets.

RESULTS AND DISCUSSION

Description of the Research Object

Table 1. Research Sample

No.	Sample Criteria	Amount
1	Energy sector companies listed on the Indonesia Stock Exchange (IDX) during the research period (2020–2024)	90
2	Energy sector companies listed on the IDX that did not consecutively publish annual reports and sustainability reports during the research period (2020–2024)	72
Total Research Sample		18
Research Period (years)		5
Total Sample Data (observations)		90

Based on Table 1 above, out of a total of 90 energy sector companies listed on the Indonesia Stock Exchange that submitted annual reports and sustainability reports, only 18 companies consistently and consecutively published these reports during the research period from 2020 to 2024 (5 years). Therefore, the total sample used in this study consists of 90 observations (18 companies \times 5 years).

Descriptive Statistical Analysis

Table 2. Descriptive Statistics

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
X1	90	0	86	48,62	22,416
Valid N (listwise)	90				

Source: Processed data using SPSS 25, 2025

The descriptive analysis results indicate that the independent variable X1 (ESG Disclosure) exhibits a fairly diverse range of values, with a minimum score of 0 (MEDC, 2021), a maximum of 86 (ABMM, 2021), and an average of 48.62. This reflects a relatively balanced condition among most of the sampled companies. The considerable variation provides a strong foundation for testing the three research hypotheses, as differences in the level of X1 (ESG Disclosure) are expected to produce varying impacts on the three dependent variables: Y1 (ROA), Y2 (ROE), and Y3 (Tobin’s Q), either in the form of consistent or differing relationships across companies.

Normality Test Analysis

**Table 3. Normality Test
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		90
Normal	Mean	0,0000000
Parameter	Std. Deviation	1,54192715
Most	Absolute	0,108
Extreme	Positive	0,108
Difference	Negative	-0,056
Test Statistic		0,108
Asymp. Sig. (2-tailed)		.022 ^c
Monte Carlo Sig.	Sig.	.283 ^d
Carlo Sig. (2-tailed)	99% Lower Confidence Interval	0,272
	Upper Bound	0,295

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. Based on 10000 sampled tables with starting seed

One-Sample Kolmogorov-Smirnov

		Unstandardized Residual
N		90
Normal	Mean	0,0000000
Parameter	Std. Deviation	18,45840787
Most	Absolute	0,133
Extreme	Positive	0,133
Difference	Negative	-0,068
Test Statistic		0,133
Asymp. Sig. (2-tailed)		.000 ^c
Monte Carlo Sig. (2-tailed)	Sig.	.070 ^d
	99% Confidence Interval	Lower Bound
		Upper Bound
		0,077

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. Based on 10000 sampled tables with starting

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		90
Normal	Mean	0,0000000
Parameter	Std. Deviation	0,30070142
Most	Absolute	0,124
Extreme	Positive	0,124
Difference	Negative	-0,098
Test Statistic		0,124
Asymp. Sig. (2-tailed)		.002 ^c
Monte Carlo Sig. (2-tailed)	Sig.	.107 ^d
	99% Confidence Interval	Lower Bound
		Upper Bound
		0,114

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. Based on 10000 sampled tables with starting

Based on the results of the normality test using the One-Sample Kolmogorov-Smirnov Test presented in Table 3, it was found that all variables analyzed meet the assumption of normal distribution. This is indicated by the Asymp. Sig values, which are greater than 0.05 across the three models: 0.283 for the relationship between X1 and Y1, 0.070 for the relationship between X1 and Y2, and 0.107 for the relationship between X1 and Y3. Therefore, it can be concluded that the research data are normally distributed, making them suitable for further statistical analyses such as regression and hypothesis testing.

Multicollinearity Test Analysis

Table 4. Tolerance and VIF Values

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2,276	0,434		5,250	0,000		
	X1	0,010	0,008	0,141	1,258	0,212	1,000	1,000
a. Dependent Variable: Y1								

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-3,014	7,267		-0,415	0,679		
	X1	2,771	1,042	0,273	2,658	0,009	1,000	1,000
a. Dependent Variable: Y2								

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0,678	0,118		5,728	0,000		
	X1	0,004	0,017	0,027	0,249	0,804	1,000	1,000
a. Dependent Variable: Y3								

Source: Processed data using SPSS 25, 2025

The results of the multicollinearity test presented in Table 4 indicate that the variable X1 in all research models does not exhibit symptoms of multicollinearity. This condition is reflected by tolerance values above 0.1 ($1.0 > 0.1$) and Variance Inflation Factor (VIF) values below 10 ($1.0 < 10$) for all three relationships: X1 with Y1, X1 with Y2, and X1 with Y3. Therefore, it can be concluded that variable X1 meets the assumption of being free from multicollinearity and is thus suitable for use in further regression analysis and hypothesis testing.

Autocorrelation Test Analysis

Table 5. Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.141 ^a	0,020	0,007	1,55178	2,095
a. Predictors: (Constant), X1					
b. Dependent Variable: Y1					

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.273 ^a	0,074	0,064	18,56299	1,955
a. Predictors: (Constant), X1					
b. Dependent Variable: Y2					

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.027 ^a	0,001	-0,011	0,30241	1,972

a. Predictors: (Constant), X1

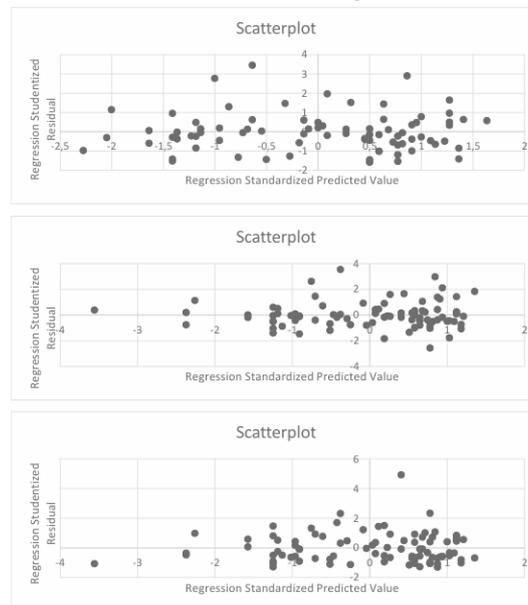
b. Dependent Variable: Y3

Source: Processed data using SPSS 25, 2025

The autocorrelation test results in Table 5, using the Durbin-Watson (DW) criteria at a 5% significance level, indicate that all research models are free from autocorrelation problems. This is reflected by DW values within the range of -2 to +2, specifically 2.095 for the relationship between X1 and Y1, 1.955 for X1 and Y2, and 1.972 for X1 and Y3. Therefore, it can be concluded that the variable X1 meets the assumption of no autocorrelation in all three models, making it suitable for use in regression analysis and subsequent hypothesis testing.

Heteroscedasticity Test Analysis

Table 6. Heteroscedasticity Test Results



Source: Processed data using SPSS 25, 2025

Based on the analysis of the three scatterplots, it can be concluded that all regression models testing the effect of X1 on Y1, Y2, and Y3 meet the homoscedasticity assumption. The three scatterplots show that the residuals are randomly dispersed without forming any specific systematic pattern, such as linear lines, curves, or other regular shapes, and are evenly distributed above and below the zero value on the Y-axis. Therefore, it can be stated that there is no indication of heteroscedasticity in all three models.

T-Test Analysis

Table 7. T-Test Results
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	2,276	0,434		5,250	0,000
	X1	0,010	0,008	0,141	1,258	0,212

a. Dependent Variable: Y1

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	-3,014	7,267		-0,415	0,679
	X1	2,771	1,042	0,273	2,658	0,009

a. Dependent Variable: Y2

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	0,678	0,118		5,728	0,000
	X1	0,004	0,017	0,027	0,249	0,804

a. Dependent Variable: Y3

Source: Processed data using SPSS 25, 2025

The hypothesis testing results in Table 7 reveal differing findings across the three analytical models. For the relationship between X1 and Y1, the significance value of 0.212 (> 0.05) with a regression coefficient of 0.010 indicates that the first hypothesis is rejected. This suggests that X1 does not have a significant effect on Y1. Meanwhile, for the relationship between X1 and Y2, the significance value of 0.009 (< 0.05) with a regression coefficient of 2.771 leads to the acceptance of the second hypothesis. This finding confirms that X1 has a positive and significant effect on Y2. In the relationship between X1 and Y3, the significance value of 0.804 (> 0.05) with a regression coefficient of 0.004 results in the rejection of the third hypothesis, indicating that X1 does not positively affect Y3.

Overall, the results of this study show that the variable X1 only has a positive and significant influence on Y2, but not on Y1 or Y3. This condition implies that the role of X1 is more relevant in explaining the variation in Y2 compared to Y1 and Y3. In other words, the influence of X1 appears more dominant when associated with Y2, which may be due to the compatibility between the characteristics of X1 and the aspects reflected in Y2. Meanwhile, for Y1 and Y3, the relationship is not significant, suggesting that other factors beyond X1 may play a greater role in affecting Y1 and Y3.

Coefficient of Determination Analysis

Table 7. Coefficient of Determination Results

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.141 ^a	0,020	0,007	1,55178

a. Predictors: (Constant), X1

b. Dependent Variable: Y1

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.273 ^a	0,074	0,064	18,56299

a. Predictors: (Constant), X1

b. Dependent Variable: Y2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.027 ^a	0,001	-0,011	0,30241

a. Predictors: (Constant), X1

b. Dependent Variable: Y3

Source: Processed data using SPSS 25, 2025

The results of the coefficient of determination test indicate that the ability of the variable X1 to explain the variation in the dependent variables is relatively low. In the first model, the Adjusted R-Square value of 0.007 indicates that only 0.7% of the changes in Y1 can be explained by X1, while the remaining 99.3% is influenced by other factors outside the research model. In the second model, the Adjusted R-Square value of 0.064 shows that approximately 6% of the variation in Y2 can be explained by X1, whereas the remaining 94% is determined by other variables not included in the model. In the third model, the Adjusted R-Square value of -0.011 confirms that X1 is completely unable to explain the variation in Y3, so almost all changes in Y3 (98.9%) originate from external factors beyond this study. Overall, these findings demonstrate that the contribution of X1 to Y1, Y2, and Y3 is very limited. Nonetheless, the influence of X1 is relatively greater on Y2 compared to Y1 and Y3, indicating a stronger relevance between X1 and Y2 within the context of this research.

CONCLUSION

Based on the series of analyses conducted, this study draws several fundamental conclusions regarding the influence of ESG Disclosure (X1) on profitability performance and firm value. First, all data used met the classical assumptions of regression analysis, including tests for normality, multicollinearity, autocorrelation, and heteroscedasticity. Therefore, the statistical models developed satisfy the requirements for reliability and validity in hypothesis testing. Specifically, the findings reveal that ESG Disclosure does not have a significant effect on Return on Assets (ROA) or Tobin’s Q. This indicates that ESG disclosure practices are not yet strong enough to explain variations in asset use efficiency or market perception of firm value. On the other hand, ESG Disclosure has a positive and significant impact on Return on Equity (ROE), although its contribution is limited. This suggests that ESG Disclosure has some effect, albeit relatively small, on ROE generated for shareholders.

Furthermore, the coefficient of determination for the three models shows that the majority of variations in ROA, ROE, and Tobin’s Q are explained by factors outside the model. In other words, the role of ESG Disclosure remains partial and has yet to become a primary driver of financial performance and firm value within the context of the sampled companies. Based on these findings, several recommendations can be made: (1) Stakeholders: For practitioners, especially company management, it is advised not to view ESG Disclosure merely as a compliance obligation but also as a part of a substantive and measurable communication strategy. Efforts should be made to improve the quality and relevance of ESG Disclosure to enhance its economic impact, particularly on aspects such as ROE. (2) Investors: This study reminds investors not to rely solely on ESG information when making investment decisions. Fundamental and macroeconomic factors still play a more dominant role in assessing financial performance and firm value. (3) Future Researchers: It is recommended to enrich the model by incorporating mediating or moderating variables (such as corporate governance, firm size, or industry characteristics) to better explain the mechanism of ESG Disclosure’s influence. Employing more advanced analytical methods, such as structural equation modeling (SEM) or panel data analysis, could also provide deeper and more dynamic insights.

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