



Apakah Tata Kelola Perusahaan yang Baik Menguatkan Hubungan Antara Pelaporan ESG dan Kinerja Keuangan? Sebuah Studi tentang Indeks IDX ESG Leaders

Does Good Corporate Governance Strengthen the Link Between ESG Reporting and Financial Performance? A Study on the IDX ESG Leaders Index

Dewi Rahma Nurliana Harahap¹, Taufik Akbar²

^{1,2,3}Universitas Islam Kediri, Manajemen, Jl. Sersan Suharmaji No. 38, Kota Kediri Jawa Timur
Email: *1dewirahma.nurliana@gmail.com, 2taufikakbar@uniska-kediri.ac.id

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Abstrak

Penerapan praktik *Environmental, Social, and Governance* yang semakin luas di Indonesia didukung tekanan regulasi yang meningkat dan kesadaran yang lebih tinggi, namun dampaknya masih rancu. Analisis dampak pengungkapan ESG terhadap kinerja keuangan dan nilai perusahaan, serta evaluasi peran moderasi *Good Corporate Governance* pada perusahaan non-keuangan yang terdaftar dalam indeks IDX ESG Leaders 2021–2024. Sebanyak 10 perusahaan yang dipilih secara purposif dari 30 perusahaan. ESG diukur dengan indeks GRI yang terdiri dari 45 item, sedangkan GCG diukur dengan 7 indikator tata kelola. Berdasarkan analisis regresi data panel dan MRA menunjukkan bahwa pengungkapan ESG tidak memiliki dampak signifikan terhadap kinerja keuangan dan nilai perusahaan, dan GCG tidak memoderasi hubungan tersebut. Hal ini menunjukkan tahap awal integrasi ESG di Indonesia dan menekankan perlunya meningkatkan kualitas pengungkapan serta memperkuat mekanisme tata kelola.

The implementation of the increasingly widespread Environmental, Social, and Governance practice in Indonesia is supported by increased regulatory pressure and awareness, but its impact remains ambiguous. Analysing the impact of ESG disclosure on financial performance and corporate value, and evaluating the role of Good Corporate Governance moderation on non-financial companies listed in the IDX ESG Leaders index 2021–2024. A total of 40 companies were sampled purposively from 120 populations. ESG was measured with a GRI index of 45 items, and GCG was measured with 7 governance indicators. Based on regression analysis, the panel and MRA data showed that ESG disclosure had no significant impact on financial performance and firm value, and GCG did not moderate the relationship. Shows the initial stage of ESG integration in Indonesia and emphasises the need to improve quality of disclosure and strengthen governance mechanisms.

BACKGROUND OF STUDY

Globally, environmental sustainability, awareness of climate change, transparent governance, and increased social responsibility have motivated companies to adopt more ethical business practices. The Environmental, Social, and Governance (ESG) framework has evolved into an international standard for measuring corporate sustainability performance.

In Indonesia, ESG implementation has shown significant progress, in line with the strengthening of capital market regulations and policies. Data from the Indonesia Stock Exchange (IDX) until the end of 2024, 882 of 943 listed companies have submitted sustainability reports, which shows a 94% compliance rate to Financial Services Authority (OJK) regulations regarding sustainable finance. To improve the quality and efficiency of reporting, the BEI launched an ESG reporting module integrated into the SPE-IDXnet system, designed based on the ASEAN Exchange Joint ESG Metrics and adapted to OJK regulations, to increase transparency, strengthen accountability, improve the quality of reporting, and increase the attractiveness of the capital market for investors who care about sustainability (Infobanknews, 2024; *Bisnis Indonesia*, 2025).

ESG disclosure describes a company's commitment to transparency in implementing sustainable practices on environmental, social, and governance aspects. This is a strong signal for investors to assess corporate integrity and long-term prospects. Previous studies have suggested that ESG disclosure could increase investor confidence and corporate reputation, thereby improving firm value and financial performance (Abdi et al., 2022; Adhi, 2023; Koundouri et al., 2022). Some studies show a significant positive relationship between ESG and firm value or financial performance (Wicaksono & Muchtar, 2024; Anggraini & Sari, 2024), while others show a negative or insignificant relationship (Ningwati et al., 2022; Handajani & Murhadi, 2025). This inconsistency suggests the need to consider additional moderation variables in the analysis.

One relevant moderator variable in the ESG context is Good Corporate Governance. GCG refers to internal and external control systems designed to ensure that management decision-making processes are conducted ethically, transparently, and reliably. Several studies have shown that GCG can strengthen ESG's impact on firm performance and value by improving the effectiveness of corporate sustainability policies (Wicaksono & Muchtar, 2024; Wijaya & Dwijayanti, 2023). Not only that, but GCG is also believed to reduce the risk of agent conflict, which often hinders the application of ESG (Dominique & Murhadi, 2025). While some studies show that the role of GCG is insignificant or even weakens the relationship between ESG and performance, mainly due to the high implementation cost (Anggraini, 2024). Therefore, companies with good governance can improve the quality of their ESG reports, making ESG a more credible signal for investors.

Based on the analysis of secondary data and previous studies, there are significant differences in results regarding the impact of ESG disclosure on financial performance and firm value, as well as the role of GCG as a moderator variable. Although studies by Adhi (2023), Anggraini (2024), and Wicaksono (2024) showed positive relationships, Ningwati et al. (2022) and Wijaya & Dwijayanti (2023) showed weak or insignificant effects. Meanwhile, while sustainability reporting shows positive developments, the implementation of ESG on financial performance and company value remains unclear. In addition, few studies examined the simultaneous impact of ESG disclosure on financial performance and firm value, particularly among non-financial companies listed as IDX ESG Leaders, with GCG as the moderator variable. Assessing ESG as a global standard in investment evaluation, and the role of GCG in maintaining management integrity is increasingly strategic in modern corporate governance, so this study aims to analyse the impact of ESG disclosure on financial performance and firm value, and test whether GCG strengthens or weakens the relationship among non-financial companies listed in IDX ESG Leaders during the 2021–2024 period.

LITERATURE REVIEW

Agency theory explains the existence of conflicts of interest between company owners (principals) and management (agents), where agents are more inclined to act in their own interests, which can be detrimental to the company (Jensen & Meckling, 1976). In this study, the implementation of GCG is seen as a mechanism to reduce agency costs through more effective supervision. Stakeholder theory emphasizes that companies are not only responsible to shareholders but also to all stakeholders who have an interest in the company's operations (Freeman, 1984). In ESG disclosure, companies are expected to meet stakeholder expectations by providing relevant information related to environmental, social, and governance performance. Signaling theory holds that the information companies convey to the public can signal to investors when they make decisions (Spence, 1973). ESG disclosure is seen as a positive signal of the company's commitment to sustainability and social responsibility.

ESG disclosure refers to the communication of information about corporate sustainability activities. ESG reporting can enhance operational efficiency, mitigate reputation risk, and enhance corporate legitimacy among stakeholders (Sari & Widiatmoko, 2023). Financial performance describes a company's ability to use resources efficiently to generate profits. In the context of ESG, sustainability disclosure can reduce risk, increase efficiency, and support profits (Xu, 2021). The firm value reflects the market's perception of its prospects and overall performance. Disclosure of ESG information can serve as a positive indicator of increased firm value. Studies in Indonesia show that ESG disclosure has not been a significant factor in encouraging firm value, as investors still rely more on conventional financial indicators (Qurniasih, 2023; Anggraini, 2024). This situation occurs because the quality of ESG disclosure in Indonesia is still considered standard, so it does not yet reflect strategic integration into business operations. Good Corporate Governance (GCG) includes mechanisms that regulate the relationships among management, shareholders, and stakeholders to ensure transparent, accountable, and responsible decision-making (OJK, 2017). Based on the factual and theoretical foundations described above, the research hypothesis follows:

H1: ESG disclosure had a positive and significant impact on the financial performance of companies listed in the IDX ESG Leaders index 2021-2024.

ESG disclosure demonstrates a company's commitment to integrating sustainability into its business strategy. Disclosure of ESG information can boost stakeholder confidence, strengthen social legitimacy, and increase support for companies that can, over time, improve financial performance (Yu et al., 2022; Abdi et al., 2022). Shows that even though the company implements ESG disclosure, the quality of the information provided is not yet convincing enough to influence investor expectations.

H2: ESG disclosure had a positive and significant impact on the firm value of companies listed in the IDX ESG Leaders index 2021-2024.

ESG transparency has helped shape the market's perception of firm value. The disclosure of appropriate ESG information serves as a positive signal that enhances the company's credibility in the eyes of investors, thereby potentially increasing its market value (Koundouri et al., 2023). However, this assumption often ignores the fact that not all investors view ESG as a positive signal, especially when reporting quality is low, or the market is more responsive to traditional financial indicators.

H3: Good Corporate Governance (GCG) has a significant influence in moderating the relationship between ESG disclosure and the financial performance of companies listed in the IDX ESG Leaders index 2021-2024.

GCG serves as a control mechanism that guides management in effectively implementing ESG practices. Good governance, characterised by independent commissioners, strong audit

committees, and management ownership, can reduce conflicts and encourage management to prioritise long-term value (Rohendi, 2021; Febriantoko, 2022). However, the study only assumes the effectiveness of governance without assessing the extent to which GCG implementation works.

H4: Good Corporate Governance (GCG) has a significant influence in moderating the relationship between ESG disclosure and firm value on companies listed in the IDX ESG Leaders index 2021-2024.

GCG plays an essential role in moderating the relationship between ESG disclosure and firm value. Empirical data show that companies with higher-quality governance are better able to turn ESG investments into a positive market signal, thereby increasing firm value (Koundouri et al., 2023; Xu, 2021). The study has not examined differences in institutional contexts across markets, so the effectiveness of GCG moderation may vary, especially in environments where governance quality is still developing.

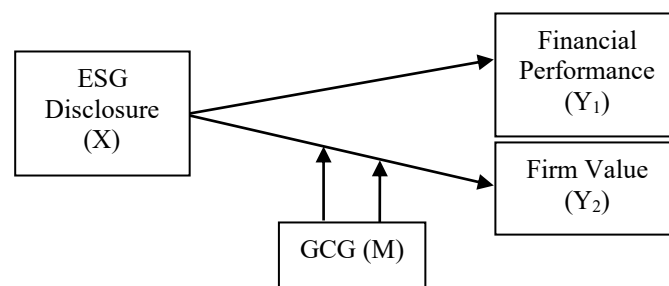


Figure 1. Relationship between Variables

RESEARCH METHODS

This study is a quantitative associative explanatory design that analyses and explains the causal relationship between ESG disclosure, financial performance, and firm value, and analyses the role of GCG moderation. Analysis of data using panel regression models and Moderate Regression Analysis (MRA), processed using EViews 13 software.

Research uses secondary data from annual reports, audited financial statements, and published sustainability reports, accessed via the official websites of the Indonesia Stock Exchange (IDX) and the relevant companies. The population of this study comprised 120 companies that were consistently listed in the IDX ESG Leaders index during 2021–2024. Purposive sampling, in which the company is selected based on predetermined criteria and fits the purpose of the study. The criteria for sample selection are shown in Table 1.

Table 1. Sample Selection Criteria

No.	Criteria
1.	Consistent companies were listed on the IDX ESG Leaders index during the 2021–2024 period
2.	Non-financial sector companies.
3.	Companies that publish sustainability reports or include specific sections on sustainability that contain measurable and analytical information about ESG

Source: data processed (2025)

Companies in the financial sector, such as banks, insurance companies, and financing institutions, are excluded due to fundamental differences in regulatory frameworks, asset structures, and reporting practices, which can lead to methodological bias. Based on the criteria set, the final sample consisted of 10 companies with a total of 40 companies over 4 years. The list of selected companies is presented in Table 2.

Table 2. Sample List

Code	Company Name	Sector
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AKRA	AKR Corporindo Tbk.	Energy/Logistics
BSDE	Bumi Serpong Damai Tbk.	Property
CTRA	Ciputra Development Tbk.	Property
ERAA	Erajaya Swasembada Tbk.	Retail
MAPI	Mitra Adiperkasa Tbk.	Retail
PWON	Pakuwon Jati Tbk.	Property
SCMA	Surya Citra Media Tbk.	Media
SIDO	Sido Muncul Tbk.	Pharmaceutical
TLKM	Telkom Indonesia (Persero) Tbk.	Telecommunications
UNVR	Unilever Indonesia Tbk.	Consumer Staples

Source: data processed (2025)

The independent variable in this study is ESG disclosure, measured using the Global Reporting Initiative (GRI) Index, which comprises 45 items. Each item is assigned a three-level scale score, 1 for explicit and measurable disclosures, 0.5 for disclosures without quantitative measures, and 0 for non-disclosure. The moderator variable in this study is GCG, assessed using a binary approach with 7 indicators. The ESG and GCG disclosure indicators are presented in Tables 3 and 4.

Table 3. Assessment Indicator of ESG

Environmental (E)		Social (S)		Corporate Governance (G)
E1. GHG) emissions		S1. Non-Discrimination		G1. Board of commissioners
E2. Energy consumption		S2. Occupational health and safety (OHS)		G2. Proportion of independent commissioners
E3. Renewable energy		S3. HR training and development		G3. Size of the board of directors
E4. Hazardous waste management		S4. Employee turnover rate		G4. Ownership structure
E5. Non-hazardous waste management		S5. Policy on contract workers and outsourcing		G5. Anti-corruption and anti-bribery policies
E6. Water use		S6. Relationship with local communities		G6. Audit committee
E7. Water saving efforts		S7. CSR program		G7. Transparency of remuneration of directors and commissioners
E8. Use of environmentally friendly materials		S8. Stakeholder engagement		G8. Whistleblowing mechanism
E9. Impact on biodiversity		S9. Gender composition in the workplace		G9. Frequency of board meetings
E10. External environmental audits		S10. Employee facilities		G10. Attendance of commissioners in meetings
E11. Emissions or waste reduction targets		S11. Employee grievance management		G11. Company code of ethics
E12. Environmental certification (ISO 14001 or similar)		S12. Local community empowerment		G12. Risk management
E13. Investment in environmental efficiency		S13. Education or scholarship support		G13. ESG oversight by the board
E14. Environmental risk assessment		S14. Employee volunteer engagement		G14. Internal and external audit
E15. Environmental training for employees		S15. Human rights		G15. Diversity (gender, background) in management

Table 4. Assessment Indicator of GCG

Indicator	Description Assessment
Proportion of Independent	$\geq 30\% \rightarrow$ Good (1) ; $< 30\% \rightarrow$ Less (0)

Commissioners	
Size of the Board of Commissioners	5 members → Good (1) ; < 5 → Less (0)
Commissioners	
Frequency of Board Meetings	≥ 8 meetings → Good (1) ; < 8 → Less (0)
Managerial Ownership	≥ 0.5% → Good (1) ; < 0.5% → Less (0)
Size of the Audit Committee	≥ 3 members → Good (1) ; < 3 → Less (0)
The Presence of an Independent Commissioner as Chair of the Board	1 = if independent commissioner becomes chairman of the board; 0 = if not
The Presence of a Nomination and Remuneration Committee	1 = exists; 0 = does not exist

Meanwhile, the dependent variable in this study consists of financial performance measured using Return on Asset (ROA) and firm value measured using Tobin's Q, which is stated as follows:

$$ROA = \frac{\text{Net income}}{\text{Total Assets}} \quad \text{Tobin's } Q = \frac{\text{Market value of firm}}{\text{Replacement cost of firm's assets}}$$

The analysis phase includes a descriptive statistical test, a panel model specification test to determine the most suitable model among general effects, fixed effects, and random effects, followed by a model feasibility test, a partial significance test, and an interaction test with the Moderate Regression Analysis (MRA). The basic panel regression model is expressed as follows:

$$Y = \beta_0 + \beta_1(ESG) + \varepsilon$$

Y is the dependent variable, β_0 is the constant, β_1 is the regression coefficient, and ε is the error term.

To test the moderation role of GCG, MRA is used through the following equation:

$$Y = \beta_0 + \beta_1(ESG) + \beta_2(GCG) + \beta_3(ESG \times GCG) + \varepsilon$$

Y is the dependent variable, β_0 is the constant, β_1 and β_2 are the regression coefficients, β_3 is the interaction coefficient, and ε is the error term.

RESULT AND DISCUSSION

To determine the most suitable panel data model, the specification tests are carried out sequentially. The Chow test first followed the Hausman test, then the Lagrange Multiplier test.

Table 5. Chow Test

Model 1			
Effects Test	Statistic	d.f	Prob.
Cross-section F	25.226093	(9,28)	0.0000
Cross-section Chi-square	88.367826	9	0.0000
Model 2			
Effects Test	Statistic	d.f	Prob.
Cross-section F	8.191315	(9,28)	0.0000
Cross-section Chi-square	51.601499	9	0.0000

Source: output EViews, data processed (2025)

Table 5 shows the results of the Chow Test for 2 models; the p-value is 0.0000 ($p < 0.05$), indicating that the Fixed Effect Model (FEM) is appropriate.

Table 6. Hausman Test

Model 1			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.
Cross-section Random	2.657092	2	0.2649
Model 2			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.

Cross-section Random	4.727149	2	0.0941
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Source: output EViews, data processed (2025)

Table 6: The Hausman Tests on 2 models of probability values greater than 0.05, showing that the Random Effects Model (REM) is the most suitable. Therefore, the analysis continues with the Lagrange Multiplier (LM) test to ensure model selection.

Table 7. Lagrange Multiplier

Model 1			
	Cross-section	Period	Both
Breusch-Pagan	34.42483 (0.0000)	1.843970 (0.1745)	36.26880 (0.0000)
Model 2			
	Cross-section	Period	Both
Breusch-Pagan	15.04066 (0.0001)	2.041707 (0.1530)	17.08237 (0.0000)

Source: output EViews, data processed (2025)

Table 7 Lagrange Multiplier tests for 2 models, the Breusch-Pagan tests produced probability values of 0.0000 and 0.0001, both below the $\alpha = 0.05$ threshold, indicating that the null hypothesis (H_0) was rejected and the most appropriate model for this study was the Random Effects Model (REM).

Table 8. Panel Data Regression

Model 1				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.356095	0.245469	-9.598359	0.0000
ESG	0.386513	0.295026	1.310100	0.1980
Model 2				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.832794	0.165830	5.021961	0.0000
ESG	-0.091329	0.193424	-0.472172	0.6395

Source: output EViews, data processed (2025)

The regression results of the panel data in Table 8 of model 1 with dependent variables namely Financial Performance (Y_1) and ESG as independent variables, resulted in the following regression equations:

$$ROA = -2.356095 + 0.386513(ESG) + \varepsilon$$

Its constant was negative and statistically significant at the 1% level, showing that under conditions without ESG disclosure, the basic level of financial performance was -2,356. The positive ESG coefficient, indicating a 1 unit increase in ESG disclosure, will improve financial performance by 0.3865 units. However, a probability value of 0.80 ($p > 0.05$) indicates this relationship is not statistically significant.

The regression results of the panel data in Table 8 of Model 2, with Company Value (Y_2) as the dependent variable and ESG as the independent variable, yield the following regression equation:

$$Tobin's\ Q = 0.832749 - 0.091329(ESG) + \varepsilon$$

The constant was positive and statistically significant at the 1% level, indicating that when ESG disclosure was 0, the firm value was 0.833 units, suggesting that companies already had relatively stable intrinsic value even without considering ESG factors. A negative ESG coefficient means that an increase of 1 ESG unit decreases the company's value by 0.0913 units, and a probability value of 0.6395 ($p > 0.05$) indicates that this relationship is not statistically significant.

Table 9. F Test

Model 1		Model 2	
R-squared	0.041152	R-squared	0.005771
Adjusted R-squared	0.015919	Adjusted R-squared	-0.020393
F-statistic	1.630870	F-statistic	0.220557
Prob(F-statistic)	0.209331	Prob(F-statistic)	0.641300

Source: output EViews, data processed (2025)

Model 1's F-statistic of 1.630870, with a probability of 0.2093 ($p > 0.05$), indicates that ESG variables have no statistically significant effect on financial performance. An Adjusted R^2 score of 0.0159 indicates that ESG disclosures account for only 1.59% of the variation in financial performance, and the remaining 98.41% due to factors not included in the model. Model 2's F-statistic of 0.2206 with a probability of 0.6413 (> 0.05) indicates that the ESG variable has no significant effect on firm value. Adjusted R^2 values of -0.0204 indicate that the ESG variable could not account for the variation in the company's value, as almost all variations were influenced by factors not included in the model.

Table 10. Moderated Regression Analysis (MRA)

Model 1				
Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.314509	0.453323	-5.105646	0.0000
ESG	0.700792	0.645133	1.086276	0.2846
GCG	0.022547	0.577087	0.039070	0.9691
M	0.416929	0.744637	0.559910	0.5790
Model 2				
Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	0.549359	0.289286	1.899015	0.0656
ESG	-0.385887	0.404988	-0.952837	0.3470
GCG	-0.453033	0.363155	-1.247493	0.2203
M	-0.447622	0.465474	-0.961647	0.3426

Source: output EViews, data processed (2025)

The Moderate Regression Analysis (MRA) results for model 1, with financial performance as a dependent variable, are as follows:

$$ROA = -2.314509 + 0.700792(ESG) + 0.022547(GCG) + 0.416929(ESG \times GCG) + \epsilon$$

The constant is -2.314 with a statistically significant result at 1% level, indicating that without ESG, GCG, and moderation, financial performance is negative. The coefficients of ESG variables were 0.701, GCG was 0.0225, and moderation was 0.4169, indicating that all three had a positive relationship with financial performance. However, the probability values for ESG, GCG, and moderation all exceeded 0.05, indicating none had statistically significant partial effects.

The Moderation Regression Analysis (MRA) results for model 2 with enterprise value as the dependent variable are as follows:

$$Tobin's Q = 0.549359 - 0.385887(ESG) - 0.453033(GCG) - 0.447622(ESG \times GCG) + \epsilon$$

A constant of 0.549 with a significance level close to 10% ($p = 0.0656$) indicates that without ESG, GCG, and moderation, the company's value remains positive at 0.549. The coefficients for ESG variables -0.386, GCG -0.453, and moderation -0.448 indicate that higher ESG disclosure, GCG implementation, and moderation variables lower firm value. However, the p-value exceeded 0.05, indicating that these effects were not statistically significant.

H1: Impact of ESG Disclosure on the Financial Performance of companies listed in the IDX ESG Leaders index 2021-2024.

According to the panel's regression results, the first hypothesis (H_1), which states that ESG disclosure has a significant impact on financial performance, is rejected. Shows that even though the company implements ESG disclosure, the quality of the information provided is not yet convincing enough to influence investor expectations.

In line with Xu's (2022) research, the implementation of ESG in the Asia-Pacific market often fails to have a significant impact on corporate profits, particularly due to persistent limitations in the adoption of sustainability practices. Similar to Abdi et al. (2023), in emerging markets, traditional financial factors continue to play a more dominant role in shaping financial performance than ESG initiatives. Therefore, companies need to improve the quality of ESG disclosure to be more measurable, consistent, and aligned with international standards, so that investors can understand it as a reliable signal.

H2: Impact of ESG Disclosure on the Firm Value of companies listed in the IDX ESG Leaders index 2021-2024.

Based on the panel's regression results, the second hypothesis (H2), which states that ESG disclosure has a significant impact on firm value, is rejected. Indonesia's capital market, especially companies listed on the IDX ESG Leaders index, have not considered ESG disclosure a major factor in increasing corporate value. In line with Koundouri et al. (2021), emerging markets tend to be slower in integrating ESG considerations into firm value assessments. The Qurniasih (2022) and Samhadi (2022) studies show that while disclosure of sustainability is becoming more common, its contribution to firm value remains limited and statistically insignificant. Companies should realise that ESG disclosure has not been completely internalised by the market as a determinant of firm value. ESG reports that are more measurable, data-driven, and explicitly tied to long-term growth strategies are likely to be more convincing to investors and to improve market perception of firm value.

H3: The Role of Good Corporate Governance (GCG) in Moderating the Relationship between ESG Disclosure and Financial Performance of companies listed in the IDX ESG Leaders index 2021-2024.

The results of the MRA model 1 analysis show that the interaction variable between ESG and GCG disclosure is positive. However, with respect to financial, the probability was not statistically significant, as it exceeded 0.05. In line with Yu (2022), the role of governance in emerging markets remains limited in integrating sustainability principles into profit generation. Likewise, Xu (2022) found that interactions between ESG and GCG often fail to produce a significant impact, as investors continue to prioritise short-term financial results over long-term sustainability considerations. Abdi et al. (2023) emphasised that the moderating effect of GCG is evident only when the governance framework is sufficiently mature, transparent, and in line with international standards. GCG does not function as an effective moderation variable, and instead, factors such as operational efficiency, market strategy, and broader macroeconomic conditions have a greater influence on corporate financial results. Management needs to strengthen the board of commissioners' supervisory role, increase the intensity and effectiveness of audit committee meetings, and promote greater managerial ownership.

H4: The Role of Good Corporate Governance (GCG) in Moderating the Relationship Between ESG Disclosure and Firm Value of companies listed in the IDX ESG Leaders index 2021-2024.

Model 2 MRA analysis results show that the interaction variable between ESG and GCG disclosure is negative and has no statistically significant effect on firm value. In line with Koundouri et al. (2021), many emerging markets still have limited integration of ESG practices and governance into market assessment mechanisms, resulting in a weak impact on firm value. Xu (2022) stated that the combined effects of ESG and GCG are often insignificant, as investors tend to prioritize short-term financial performance over sustainability considerations. The Qurniasih (2022) and Samhadi (2022) studies show that despite improvements in ESG disclosure and governance practices, their contribution to firm value remains minimal, mainly because investor sentiment continues to focus on traditional financial indicators and prevailing market dynamics. As a result, GCG does not function as an

effective moderator variable in the relationship between ESG disclosure and firm value for companies listed on the IDX ESG Leaders index. This confirms that the current application of GCG has not been practical in increasing market acceptance of ESG disclosure. Companies should adopt more stable governance practices, such as strengthening commissioners' independence, increasing transparency in strategic decision-making, and aligning ESG policies with long-term value creation.

CONCLUSION

This study finds that ESG disclosure has no statistically significant impact on financial performance or firm value among non-financial companies listed in the IDX ESG Leaders Index during 2021–2024, indicating that profitability and firm value in the Indonesian capital market are still primarily driven by traditional financial factors such as operational efficiency, cost management, cash flow, and growth prospects. Additionally, good corporate governance (GCG) does not significantly moderate the relationship between ESG disclosure and either financial performance or firm value, suggesting that ESG integration in corporate strategy remains at an early stage and that improvements in the quality, consistency, and international alignment (e.g., GRI standards) of ESG disclosure, supported by stronger governance practices, are still needed.

SUGGESTION

Future research is advised to include additional control variables, such as enterprise size and leverage, to use dynamic panel data models, and to conduct sectoral analysis to capture the potential and long-term impact of ESG disclosure on financial performance and firm value.

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