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Profitability Intervention: Role of ESG Disclosure and Company Size on Financial Performance

Tri Ayu Parwati[1*], Suchi Avita Rici[2], Muhammad Fajar[3]
[1,2,3]Universitas Putra Indonesia YPTK, Padang, Indonesia
triayu@upiyptk.ac.id
Corresponding Author

ABSTRACT

This study aims to determine the effect of esg disclosure, company size, on financial performance with profitability as an intervening variable. The population used in this study are IDXESGLeader companies listed on the Indonesia Stock Exchange (BEI) in 2019-2023. The sampling technique in this study was purposive sampling and obtained 17 IDXESGLeader companies with 85 observations. The analysis method used is multiple linear regression analysis. Based on the simultaneous test results that the esg disclosure variable, company size, and profitability affect financial performance. While with intervening variables, the simultaneous test results of ESG disclosure variables, company size, affect financial performance through profitability as an intervening variable. Based on the partial test results that ESG disclosure and company size have no significant effect on profitability, ESG disclosure has a significant effect on financial performance, company size affects company size, and profitability affects financial performance. Meanwhile, with the intervening variable, the partial test results of the ESG disclosure variable, company size have no effect on financial performance through profitability in IDXESGLeader companies listed on the Indonesia Stock Exchange (BEI) in 2019-2023.

Keywords: Company Size, ESG Disclosure, Financial Performance, and Profitability.

INTRODUCTION

Financial performance reflects the financial condition of a company and is the main indicator in assessing the effectiveness of resource management carried out by management. This performance evaluation is generally carried out through various indicators, one of which is Return on Assets (ROA), which measures the extent to which the company's assets can generate profits (Lutfiana, 2021). One factor that affects a company's financial performance is sales growth. This is supported by research conducted by Laily and Eni (2020), which reveals that sales growth affects a company's financial performance. If a company's sales growth rate is high, then the company is considered to have successfully implemented its strategy. Companies are interconnected and have an impact on the financial sector, so financial management must also be taken into account to support economic activity and company value growth (Widya Sari, 2021).

With increasing attention to sustainability in the business world, Environmental, Social, and Governance (ESG) factors now play an important role in shaping investor perceptions and determining the direction of corporate strategy. ESG is not only seen as an ethical standard, but also as a tool to strengthen long- term business performance (Sakti, 2024). With rising issues of climate change, social justice, and transparent governance, ESG has become a key focus in investment decisions (Husada and Handayani, 2021). In addition to ESG, company size is also a factor that is considered to affect financial performance. This size is usually represented through the total assets owned by the company. The larger the scale of the company, the greater its capacity to manage resources and reach investment opportunities, which in turn can encourage an increase in the value of the company in the eyes of investors (Fajartania and Utiyati, 2018). One factor that affects a company's financial performance is sales growth. In the context of ESG, environmental elements include companies' efforts to reduce their carbon footprint, manage waste, and preserve nature. Meanwhile, social elements include aspects such as corporate social responsibility, workers' rights, diversity, and contributions to local communities. Meanwhile, governance focuses on the principles of excellent corporate governance, such as transparency, accountability, and effective management

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structures.

The combination of these three aspects helps form a comprehensive picture of a company's performance in terms of sustainability and its impact on the world. Thus, ESG is more than just a business trend; it is a guide for responsible and sustainable business (Kurnia, 2024).

Profitability is an important element that can bridge the relationship between ESG and company size on financial performance (Hidayat, 2018) . Companies that have a high level of profitability tend to be better able to maintain their business continuity and attract investors and creditors. Companies with high returns on investment use relatively little debt because high returns allow them to finance most of their funding internally (Kasmir, 2014). If the company's profitability is good, stakeholders consisting of creditors, suppliers, and investors will see the extent to which the company can generate profits from sales and investments (Juliana and Nugraheni, 2020).

The urgency of this research is reinforced by various national phenomena and policies, such as the implementation of ESG principles in Indonesia's G20 Presidency agenda, increased air pollution in Jakarta which has an impact on industrial activities, and the Financial Services Authority regulation (POJK No. 51/POJK.03/2017) which encourages companies to prepare sustainability reports. Based on this background, this study aims to examine the effect of ESG disclosure and company size on financial performance with profitability as an intervening variable, in companies incorporated in the IDXESG Leaders index on the Indonesia Stock Exchange during the 2019-2023 period.

LITERATURE STUDY

Agency Theory

Agency theory is a theory that describes the relationship between principals and agents. This theory is a theory commonly used by companies in carrying out their activities. An agency relationship is a contract where one or more people (principals) contract another person (agent) to provide services on behalf of the principal and the agent has the authority to make the best decisions for the principal. Agents are obliged to explain what their clients have entrusted to them and both directors and agents are in a position to negotiate. The director as the owner of capital has the right to access the company's internal information, while the agent who directs the company's operations has accurate and complete information about the company's operations and results. However, agents do not have absolute power to make certain strategic, long-term and global decisions. According to agency theory, agents act for the clients of an organization. Agency theory says that it is the manager's job to maximize shareholder returns (Ningwati et al., 2022).

Signaling Theory

Signaling theory is a concept that highlights the importance of signs or signals that can reflect the internal condition of a company. In this theory, companies that have high quality intentionally provide signals to the market with the aim that the market can distinguish between good quality and poor quality companies. The signals given must be clearly understood by the market, have positive value, and are not easily imitated by companies with low quality. Information submitted, such as through official announcements, is often the main medium for companies to signal to investors. If the announced information contains positive value, the market is expected to respond accordingly, both in the form of increased investor interest and improved company value in the capital market.(Yusri, 2020).

Environmental accounting

According to Rahmawati et al. (2024), environmental accounting does not only focus on recording environmental costs but also includes the measurement, disclosure, and evaluation of a company's environmental performance—particularly in the public sector, which has a direct influence on the quality of the environment and public life. This approach is important in supporting environmentally-based budget planning and sustainable decision-making. The study by Setiawan, Diantimala, and Febrianty (2025) confirms that the implementation of green accounting in Indonesia's mining sector has a positive impact on financial performance. This suggests that environmental responsibility is not merely a burden but can also generate economic value through operational efficiency and enhanced corporate reputation. Afiah et al. (2024) added that the practice of Environmental

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Management Accounting (EMA) is highly relevant for companies aiming to build long-term sustainability strategies. EMA enables companies to identify hidden costs that are often overlooked in traditional financial statements, such as environmental restoration costs or potential environmental fines in the future.Amalia et al. (2025) emphasized that environmental accounting plays a crucial role in driving the transition toward a green economy. Within this framework, companies are expected to focus not only on profits but also to consider the social and ecological impacts of their business activities. Environmental accounting is a term related to the policy of including environmental costs in the accounting activities of a business entity or government. Environmental costs are impacts that arise from both financial and non-financial aspects. Environmental costs must arise from activities that affect environmental quality.

Stakeholder Theory

Stakeholder theory explains that companies have responsibilities not only to shareholders but also to all parties affected by their activities, including employees, consumers, communities, governments, and the environment. In the context of sustainability, this theory serves as an important foundation for companies to design strategies that consider the interests of all stakeholders, rather than merely pursuing financial profit (Saleem et al., 2020). Its application in ESG and CSR practices helps companies enhance transparency and build public trust by involving various stakeholders in the decision-making process (Iznillah et al., 2024). Beyond the private sector, stakeholder theory has also begun to be adopted in the public sector to explain how governments can balance diverse public interests, although research in this area remains relatively limited in developing countries (Sarturi et al., 2023). Stakeholder theory is a strategic issue related to how companies manage interactions with parties that have an interest in their business. In this context, companies are expected to care and benefit these stakeholders because they have the ability to influence company policies and can also be affected by company decisions in their operations.

Environmental, Social, Governance (ESG)

Environmental, Social, and Governance (ESG) disclosure has become a key element in assessing a company's long-term value creation. Susilowati et al. (2025) found that ESG disclosure and profitability significantly influence firm value in Indonesian industrial sector companies, while leverage and asset turnover have no significant effect. This suggests that strong ESG communication can directly enhance market perception regardless of traditional financial performance. Supporting this, Prayitno et al. (2023) demonstrated that ESG disclosure positively affects firm performance (measured by ROA and ROE) in the mining sector, although leverage does not mediate the relationship. Furthermore, a study by Jitmaneeroj (2022) on over 3,000 global companies highlighted that ESG performance contributes positively to profitability, especially among large firms, whereas small and medium-sized enterprises (SMEs) do not experience the same benefit due to limited resources. These findings reinforce the notion that ESG is not merely a compliance tool but a strategic component that shapes investor confidence and sustainable financial outcomes. Environmental, social and governance aspects are factors that must be considered to support economic, social and environmental performance in achieving corporate sustainability goals. These three aspects are the foundation of corporate social responsibility and sustainable business operations, which together form a unified whole.

Company size

Company size plays a critical role in shaping the relationship between ESG practices and financial outcomes. Empirical evidence indicates that larger firms often follow a U-shaped ESG–performance curve: initial ESG investment may burden financial results, but sustained application yields long-term gains, whereas SMEs experience more immediate positive outcomes from ESG initiatives (Small Business Economics, 2025). Within the Indonesian context, Susilowati & Mawardi (2025) found that in IDX-listed export firms, larger company size significantly reduces firm value, potentially due to increased managerial complexity and inefficiencies at scale. Furthermore, Lestari & Khafid (2021) demonstrate that in property and real estate firms, size moderates the influence of

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profitability, leverage, and liquidity on earnings quality—suggesting that as firms grow, maintaining high-quality earnings becomes more challenging despite strong fundamentals. Company size is a metric used to classify the dimensions, both large and small of a company, in various ways, such as total assets, stock market value, logarithm of size. Company size reflects the total assets owned by a company.

Financial performance

Financial performance is a central construct in evaluating a company's overall efficiency and long-term sustainability, particularly when associated with non-financial aspects like ESG disclosure. Rusmana and Sembiring (2025) found that environmental aspects of ESG disclosure significantly influence financial performance, which in turn enhances firm value among companies listed in the IDX ESG Leaders index from 2020 to 2023. This suggests that ESG initiatives are not merely symbolic, but translate into tangible financial benefits. Similarly, Alsavina et al. (2021) examined mining companies in Indonesia and reported that profitability has a significant effect on earnings management, implying that strong financial performance reduces the tendency toward opportunistic financial reporting. In an international context, Li (2025) explored ESG's impact on financial flexibility in Hong Kong companies, finding that good ESG performance improves financial performance by easing financing constraints. These findings collectively support the inclusion of financial performance as a mediating variable between ESG disclosure and firm value or sustainability outcomes. Financial performance is a condition that describes the financial condition of a company by analyzing using financial analysis tools or it can also be called with the financial performance of a company to be able to know the good or bad financial condition of a company.

Profitability

Profitability is a crucial variable in shaping firm value and serves as a mediator between ESG disclosure and other non-financial performance indicators. A study by Sumarno et al. (2023) demonstrated that profitability, measured by Return on Assets (ROA), significantly mediates the relationship between ESG assessment and firm value (Tobin's Q), indicating that ESG may enhance firm value through improved financial performance. In the ASEAN region, research on 661 companies from 2019 to 2023 found that profitability has a positive and significant impact on firm value, and ESG strengthens this relationship by improving operational efficiency and the firm's image in the eyes of investors. Meanwhile, in Indonesia's manufacturing sector, Susilowati et al. (2025) noted that both profitability and ESG disclosure directly contribute to firm value, although Total Asset Turnover (TATO) and leverage do not show significant effects—reinforcing the idea that profitability remains key to building investor perceptions of market value. Profitability is the ability of a company to generate profits during a certain period. Companies with high levels of profitability generally use relatively little debt because with a high rate of return on investment the company can capitalize with retained earnings alone.

METHOD

This study uses a quantitative approach with a causality design to examine the effect of *Environmental, Social, and Governance* (ESG) disclosure and company size on financial performance, as well as the role of profitability as an intervening variable. Secondary data was obtained from annual reports and sustainability reports of companies incorporated in the IDXESG Leaders index on the Indonesia Stock Exchange during the 2019-2023 period. Sample selection was carried out using purposive sampling technique, resulting in 17 companies as samples with a total of 85 observations. ESG disclosure is measured based on the ESG score released by the IDX, company size is proxied through the natural logarithm of total assets, while profitability and financial performance are measured by the Return on Assets (ROA) ratio. The analysis was conducted with descriptive statistics, classical assumption tests, multiple linear regression, and path analysis to identify direct and indirect effects between variables. All data processing was done using **IBM SPSS Statistics version 25**, with technical guidance from Ghozali (2018) and Hair et al. (2019).

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Table 1. Research Sample

No	Criteria	Number
1	Companies that are included in *IDXESG Leaders* published by the IDX.	45
2	Companies that are not included in 2021-2023 consecutively in *IDXESG Leaders*.	(28)
Total Sample		17

Based on the predetermined criteria, the number of samples obtained is 17 companies, with the data used for research for 5 years where each year there are 5 periods so the total data used for 5 periods. 5 periods x 17 companies, namely 85 data. This study uses **secondary data** obtained indirectly through annual financial reports and sustainability reports of companies listed on the Indonesia Stock Exchange (IDX) for the 2019- 2023 period. Data is accessed through the official IDX website (www.idx.co.id), related company websites, and other supporting sources. Data collection techniques were carried out throughMliterature studies, online collection through the official IDX website, and documentation of company reports and documents relevant to the research variables.

RESULTS AND DISCUSSION

Results

Table 2. Descriptive Statistics of Research Data Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Dev.
Y	67	-2,43	-,90	-1,4418	,33008
X1	67	-,77	-,06	-,4549	,15179
X2	67	1,47	1,55	1,5090	,02444
Z	67	-1,53	-,54	-,9382	,24011
Valid N (Listwise)	67				

Source: SPSS 22 Data Processing

The results of descriptive analysis of 67 samples show that variable Y has an average of -1.4418 with a standard deviation of 0.33008, indicating moderate data variation. The X1 variable has an average of -0.4549 and a standard deviation of 0.15179, indicating a more concentrated distribution of data. The X2 variable has the most homogeneous distribution with an average of 1.5090 and a very small standard deviation of 0.02444. Meanwhile, variable Z has an average of -0.9382 with a standard deviation of 0.24011, indicating moderate variation. The difference in the level of dispersion between these variables indicates the potential for different influences in subsequent statistical relationships.

Classical Assumption Test Normality Test

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

		Unstandardized Residual
N		67
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,15859699
Most Extreme Differences	Absolute	,079
	Positive	,073
	Negative	-,079
Test Statistic		,079
Asymp. Sig. (2-tailed)		,200[c,d]

Source: SPSS 22 Data Processing

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Based on the results of the Kolmogorov-Smirnov (K-S) normality test on unstandardized residuals, the number of samples (N) is 67 with a mean value of 0.0000000 and a standard deviation of 0.15859699. The Most Extreme Differences value was recorded as 0.079 for absolute values, with positive differences of 0.073 and negative differences of -0.079. The test statistic value is 0.079 with an asymptotic two-way significance value (Asymp. Sig. 2-tailed) of 0.200 after Lilliefors significance correction. Since the significance value is greater than the general significance level (α= 0.05), there is not enough evidence to reject the null hypothesis (H_0), which states that the residuals are normally distributed. Thus, it can be concluded that the residuals in this model follow a normal distribution, so the normality assumption is met and statistical analysis using this assumption can be continued.

Multicollinearity Test

Table 4. Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	X1	,991	1,009
	X2	,948	1,055
	Z	,943	1,061

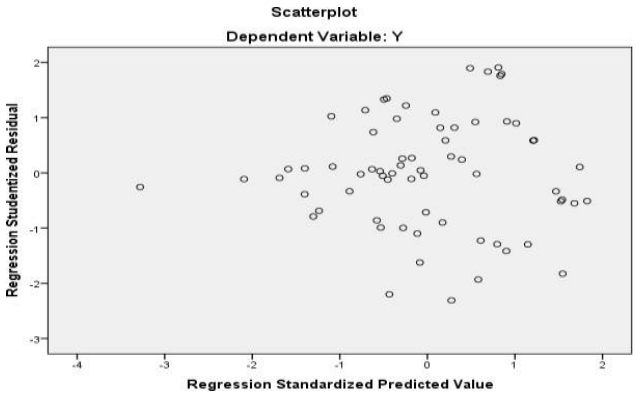
Source: SPSS 22 Data Processing

Dependent Variable: Y

Based on the results of the multicollinearity test in the regression model with the dependent variable **Y**, the **Tolerance** and **Variance Inflation Factor (VIF)** values are obtained for each independent variable. **The X1** variable has a Tolerance value of 0.991 and a VIF of 1.009, while the **X2** variable has a Tolerance of 0.948 with a VIF of 1.055. The variable **Z** shows a Tolerance value of 0.943 and a VIF of 1.061. In multicollinearity analysis, a Tolerance value close to 1 indicates that there is no high linear correlation between the independent variables, while a VIF value smaller than 10 indicates that the model does not experience multicollinearity problems. Since all the VIF values in this analysis are around 1 and well below the critical limit of 10, it can be concluded that there is no significant indication of multicollinearity among the independent variables. Thus, the regression model used remains stable and does not experience disturbances due to high correlation between independent variables, so that the regression estimation results can be analyzed more accurately and can be used for further interpretation and decision-making.

Heteroscedasticity Test Results

Figure 1. Heteroscedasticity Test Results



Source: SPSS 22 Data Processing

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Based on the results of the heteroscedasticity test displayed in the scatterplot, it can be seen that the distribution of points (residuals) does not form a certain pattern, but is randomly scattered without showing a conical or widening pattern on the predicted standard regression axis. This indicates that the variance of the residuals remains constant along the range of values of the independent variables, which means that there is no indication of heteroscedasticity in this regression model. Since there is no clear pattern in the distribution of the residuals against the predicted values, it can be concluded that the assumption of homoscedasticity is met. Thus, the regression model used remains valid for further analysis. This aspect is important because the absence of heteroscedasticity ensures that the regression parameter estimates obtained are unbiased and efficient, so that the analysis results can be trusted and used for decision-making.

AutoCorrelation Test Results

Table 5. Auto Correlation Test Results with Durbin -Watson Test Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,877[a]	,769	,758	,16233	,771

Source: SPSS 22 Data processing

The autocorrelation test results shown by the Durbin-Watson value of 0.771 indicate a potential autocorrelation problem in this regression model. In general, the Durbin-Watson value ranges from 0 to 4, with a value close to 2 indicating no autocorrelation, while a value lower than 2 indicates positive autocorrelation and a value greater than 2 indicates negative autocorrelation. In this case, the Durbin-Watson value of 0.771 tends to be lower than 2, which indicates the presence of positive autocorrelation in the residuals of the regression model. Therefore, further steps need to be taken to address this autocorrelation issue, such as using a more suitable regression method or changing the model specification.

Multiple Regression Analysis Results

Table 5. The Effect of ESG Disclosure and Company Size on Financial Performance with Profitability as an Intervening Variable

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	
		B	Std. Error	Beta		
1	(Constant)	-4,176	1,808		-2,310	
	X1	,125	,192	,079	,651	
	X2	2,183	1,194	,222	1,829	

Source: SPSS 22 Data Processing

a. Dependent Variable: Z

The results of multiple regression analysis show the relationship between the independent variables (X1, X2) and the dependent variable (Z). The intercept (constant) of - 4.176 indicates that if both independent variables (X1 and X2) are zero, then the predicted Z value is -4.176. The t test

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result for the constant produces a t value of -2.310 with a significance of 0.024, which indicates that this constant is significant at the 5% level. The coefficient for X1 of 0.125 indicates that each one-unit increase in X1 will increase the value of Z by 0.125, but the t test for X1 produces a t value of 0.651 with a significance of 0.517, which indicates that the effect of X1 on Z is not significant at the 5% level. Meanwhile, the coefficient for X2 of 2.183 indicates that each one-unit increase in X2 will increase the value of Z by 2.183, with a t test resulting in a t value of 1.829 and a significance of 0.072, which is close to significant at the 10% level. Overall, although X2 has a greater influence on Z than X1, X2's influence is only significant at the 10% level, while X1 shows no significant influence on Z at the 5% level.

Table 6. Multiple Regression Results

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	
		B	Std. Error	Beta		
1	(Constant)	11,731	1,290		9,093	
	X1	,359	,132	,165	2,714	
	X2	-7,968	,840	-,590	-9,491	
	Z	1,051	,086	,764	12,260	,000

Source: SPSS 22 Data Processing

a. Dependent Variable: Y

The results of multiple regression analysis show that the independent variables X1, X2, and Z have a significant influence on the dependent variable Y. The intercept (constant) of 11.731 indicates the predicted value of Y if all independent variables are zero, and this is significant with a t value of 9.093 and a significance of 0.000. The coefficient for X1 is 0.359, which means that every one unit increase in X1 will increase the Y value by 0.359, with the effect being significant at the 5% level (t value = 2.714, significance = 0.009). Conversely, the coefficient for X2 of -7.968 indicates that each one-unit increase in X2 will decrease the value of Y by 7.968, with a very strong significant effect (t value = -9.491, significance = 0.000). Meanwhile, the coefficient for Z of 1.051 indicates that each one-unit increase in Z will increase the value of Y by 1.051, and the effect of Z on Y is also very significant with a t value of 12.260 and a significance of 0.000. Overall, the three independent variables contribute significantly to Y, with Z having the strongest influence compared to X1 and X2.

Partial Hypothesis Testing Results (t test)

Table 7. Partial Hypothesis Testing (t test) Variable X to Z

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4,176	1,808		-2,310	,024
	X1	,125	,192	,079	,651	,517
	X2	2,183	1,194	,222	1,829	,072

Source: SPSS 22 Data Processing

a. Dependent Variable: Z

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The partial t test results show the effect of the independent variables X1 and X2 on the dependent variable Z. For variable X1, the coefficient of 0.125 indicates that every one unit increase in X1 will increase Z by 0.125. However, the t test for X1 produces a t value of 0.651 with a significance of 0.517, which is greater than 0.05, so the null hypothesis stating that the coefficient of X1 is equal to zero cannot be rejected. In other words, X1 has no significant effect on Z at the 5% level. As for the X2 variable, the coefficient of 2.183 indicates that each one-unit increase in X2 will increase Z by 2.183. The t-test for X2 yields a t-value of 1.829 with a significance of 0.072, which is slightly greater than 0.05, but can still be considered significant at the 10% level. As such, the null hypothesis for X2 cannot be completely rejected at the 5% level, but can be considered a near significant influence at the 10% level. Overall, only X2 exerts a near significant effect on Z, while X1 shows no significant effect.

Table 8. Partial Hypothesis Testing (t test) Variable X to Y

Model		Unstandardized Coefficients		Standardized Coefficients	T
		B	Std. Error	Beta	
1	(Constant)	11,731	1,290		9,093
	X1	,359	,132	,165	2,714
	X2	-7,968	,840	-,590	-9,491
	Z	1,051	,086	,764	12,260

Source: SPSS 22 Data Processing

Dependent Variable: Y

The partial t test results show that all independent variables (X1, X2, and Z) have a significant effect on the dependent variable Y. For variable X1, the coefficient of 0.359 indicates that each one-unit increase in X1 will increase Y by 0.359, with a t value of 2.714 and a significance of 0.009. Since the significance is smaller than 0.05, the null hypothesis stating that the coefficient of X1 is equal to zero is rejected, which means that X1 has a significant effect on Y. Furthermore, the X2 variable has a coefficient of -7.968, which indicates that each one-unit increase in X2 will decrease Y by 7.968. The t test for X2 produces a t value of - 9.491 with a significance of 0.000, which is also smaller than 0.05, so the null hypothesis for X2 is also rejected, indicating that X2 has a significant effect on Y. Finally, variable Z has a coefficient of 1.051, which means that every one unit increase in Z will increase Y by 1.051. The t test for Z yields a t value of 12.260 with a significance of 0.000, which is highly significant, so the null hypothesis for Z is also rejected. Thus, it can be concluded that the three independent variables, namely X1, X2, and Z, significantly affect the dependent variable Y.

Simultaneous Test (F Test)

Table 9. Simultaneous Hypothesis Testing (F Test) X to Z ANOVA[a]

Model		Sum of Squares	Df	Mean Squar	F	Sig.
1	Regression	,218	2	,109	1,947	,151[b]
	Residual	3,587	64	,056		
	Total	3,805	66			

Source: SPSS 22 Data Processing

a. Dependent Variable: Z
b. Predictors: (Constant), X2, X1

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The results of the simultaneous test (F test) show that the independent variables X1 and X2 together have no significant effect on the dependent variable Z. The obtained F value of 1.947 with a significance of 0.151, which is greater than 0.05, indicates that the null hypothesis, which states that there is no simultaneous effect of X1 and X2 on Z, cannot be rejected. In other words, the two independent variables together have no significant influence in explaining variations in the dependent variable Z at the 5% significance level. Therefore, the regression model involving X1 and X2 cannot be considered to contribute significantly to Z.

Table 10. Simultaneous Hypothesis Testing (F Test) X to Y ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5,531	3	1,844	69,961	,000[b]
	Residual	1,660	63	,026		
	Total	7,191	66			

Source: SPSS 22 Data Processing

a. Dependent Variable: Y
b. Predictors: (Constant), Z, X1, X2

The simultaneous test results (F test) show whether the independent variables together have a significant effect on the dependent variable Y. The F value obtained is 69.961 with a significance of 0.000, which is much smaller than 0.05, indicating that the regression model as a whole is significant. This means that the independent variables (Z, X1, and X2) simultaneously have a significant influence on the dependent variable Y. Thus, the null hypothesis stating that there is no joint influence of the three independent variables on Y can be rejected. This indicates that the regression model involving Z, X1, and X2 makes a significant contribution in explaining the variation in the dependent variable Y.

Table 11. Test Results of the Coefficient of Determination (R^2) X to Z Model Summary [b]

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	,239[a]	,057	,028	,23674

Source: SPSS 22 Data Processing

a. Predictors: (Constant), X2, X1
b. Dependent Variable: Z

The regression model with independent variables X1 and X2 is only able to explain **5.7% of** the variation in the dependent variable Z ($R^2 = 0.057$), while the remaining **94.3%** is influenced by other factors outside the model. The **Adjusted R^2** value **of 0.028** shows the adjustment for the number of independent variables and reinforces that this model has a **very limited** ability to explain changes in Z.

Table 12. Determination Coefficient Test Results (R^2) X to Y Model Summary [b]

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	,877[a]	,769	,758	,16233

Source: SPSS 22 Data Processing

a. Predictors: (Constant), Z, X1, X2
b. Dependent Variable: Y

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The coefficient of determination test results show that the regression model is able to explain **76.9% of** the variation in the dependent variable (Y) through variables Z, X1, and X2. The remaining **23.1%** is explained by other factors outside the model. **The Adjusted R^2** value of **0.758** indicates that the model remains good even though it has been adjusted for the number of independent variables, so it can be concluded that this model has a strong ability to explain the relationship between variables.

Discussion

The Effect of ESG Disclosure on Profitability

The analysis results show that ESG disclosure (X1) has a coefficient of 0.125, indicating that for every one-unit increase in ESG disclosure, profitability increases by 0.125, assuming other variables remain constant. However, the t-value of 0.651 with a significance level of 0.517 (> 0.05) indicates that the effect of ESG disclosure on profitability is not statistically significant. This means that the hypothesis stating that ESG disclosure has a significant effect on profitability is not supported. This finding is consistent with the study by Hake & Shanti (2024), and therefore, Hypothesis One (H1) is rejected.

The Effect of Company Size on Profitability

The analysis shows that company size (X2) has a regression coefficient of 2.183, meaning that a one-unit increase in company size would increase profitability by 2.183, assuming other variables remain constant. However, the t-value of 1.829 with a significance level of 0.072 (> 0.05) shows that, although company size has a positive effect on profitability, the effect is not statistically significant at the 95% confidence level. Hence, the hypothesis stating that company size significantly affects profitability is also not supported. This result aligns with the findings of Fajartania & Utiyati (2018). Therefore, Hypothesis Two (H2) is rejected.

The Effect of ESG Disclosure on Financial Performance

The regression analysis indicates that ESG disclosure (X1) has a positive and significant effect on financial performance (Y). The coefficient of 0.359 means that each unit increase in ESG disclosure improves financial performance by 0.359. The t-test yields a t-value of 2.714 and a significance level of 0.009 (< 0.05), showing a statistically significant effect at the 5% level. This suggests that companies that are more transparent in disclosing environmental, social, and governance practices tend to perform better financially. This may be due to increased investor and stakeholder trust in companies committed to social and environmental responsibility, which can ultimately drive better financial outcomes. These results are consistent with the findings of Ciptaningsih & Cahyonowati (2024). Thus, Hypothesis Three (H3) is accepted.

The Effect of Company Size on Financial Performance

The results show that company size (X2) has a significant negative effect on financial performance (Y). A coefficient of -7.968 indicates that the larger the company, the lower the financial performance achieved. The t-test result shows a significance level of 0.000, which indicates a highly significant effect. Although larger firms typically have more resources, this result suggests that they may face operational inefficiencies and more complex resource management, negatively affecting financial performance. This implies that larger size does not always equate to better financial performance and may in some cases reduce efficiency. This finding is consistent with the study by Elizabeth Sugiarto Dermawan (2019). Therefore, Hypothesis Four (H4) is accepted.

The Effect of Profitability on Financial Performance

Regression analysis shows that profitability (Z) has a positive and significant effect on financial performance (Y). A coefficient of 1.051 indicates that a one-unit increase in profitability leads to a 1.051 increase in financial performance. A t-value of 12.260 with a significance level of 0.000 (< 0.05) confirms a strong positive relationship. This supports the notion that more profitable companies tend to have better financial performance. High profitability reflects efficient management, strong competitiveness, and stable revenue generation, all of which improve overall financial outcomes.

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Thus, profitability plays a key role in influencing and enhancing the financial performance of companies listed on the Indonesia Stock Exchange. This finding is consistent with Affi & As'ari (2023), who also found a significant positive effect. Therefore, Hypothesis Five (H5) is accepted.

The Effect of ESG Disclosure on Financial Performance through Profitability

When examining the direct effect of ESG disclosure (X1) on financial performance (Y), the coefficient is 0.359. Meanwhile, the indirect effect of ESG disclosure (X1) on financial performance (Y) through profitability (Z) adds 0.1314. Thus, the total effect of this hypothesis is 0.490. Since the direct effect (0.359) is greater than the indirect effect (0.1314), it can be concluded that profitability does not mediate the relationship between ESG disclosure and financial performance. This result is consistent with the studies by Ummah (2019) and Kurnianto & Kharisudin (2022). Therefore, Hypothesis Six (H6) is rejected.

The Effect of Company Size on Financial Performance through Profitability

The direct effect of company size (X2) on financial performance (Y) shows a coefficient of -7.968. The indirect effect, through profitability (Z), adds 2.2943. Thus, the total effect is -5.764. Since the direct effect is smaller (and negative) than the indirect effect, this indicates that company size negatively affects financial performance, and the indirect effect is not strong enough to counterbalance it. Therefore, profitability does not mediate the relationship between company size and financial performance. This result aligns with the findings of Ummah (2019) and Kurnianto & Kharisudin (2022). Hence, Hypothesis Seven (H7) is rejected.

CONCLUSION

Based on the results of the analysis of companies incorporated in the IDXESG Leaders index on the Indonesia Stock Exchange for the 2019-2023 period, it can be concluded that ESG disclosure and company size show different results in affecting profitability and financial performance. ESG disclosure and company size have no significant effect on profitability, indicating that sustainability aspects and company scale have not directly increased company profits. However, directly, ESG disclosure and firm size have a significant effect on financial performance, suggesting that both have an important role in shaping financial perceptions and firm value. In addition, profitability is shown.

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