



The Impact of ESG Disclosure on Financial Performance in Manufacturing Industry in Indonesia

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ABSTRACT

Environmental, Social, and Governance (ESG) disclosure serves as a reflection of a firm's devotion to sustainable practices. The ESG disclosure is also frequently linked to stronger financial results. While earlier research has indicated dissemination of ESG as related information is hypothesized to shape the financial trajectory of a corporation, the impact often varies depending on the industry. This research concentrates on the manufacturing sector, given its status as the largest contributor to carbon emissions and its significant role in Indonesia's economy in 2024. The study investigates how ESG disclosure and financial performance is explored, with particular attention given to the moderating influence of firm size. The study uses a quantitative panel data approach with secondary data collected from Bloomberg and company annual reports. The result reveals that, within this sector, ESG disclosure does not exert a statistically meaningful impact on financial performance, and company size does not alter this relationship. The result means that investors in Indonesia have not considered the ESG disclosure as an important factor when making investment decisions.

INTRODUCTION

Environment, Social and Governance (ESG) is a well-known non-financial measurement in business practices in which it is a form of commitment for better sustainability (Ferol Warouw et al., 2024). The practice of publishing information regarding the ESG practices is known as ESG disclosure. Companies that are concerned with ESG issues are perceived for being more attractive by investors because they are socially responsible (Prayitno et al., 2024). ESG disclosure has become increasingly important, especially for the manufacturing industry, which often has significant environmental and social impacts. Research by Zahroh and Hersugondo (2021) showed ESG performance impacted positively and significantly on a company's financial performance.

For decades, the manufacturing sector has been the biggest benefactor to economic growth in Indonesia. In 2024, this industry was recorded with the largest GDP growing 4.5%, supported by increased manufacturing production and exports of processed products (Ekonomi Indonesia 2024: Pertumbuhan Stabil Berkat Kebijakan Tepat, 2025). However, as the largest contributor to economic growth, this sector also becomes the highest contributor to carbon emissions at 340.71 million tons of CO₂e. If the impacts caused by its operational activities are not accompanied by sustainable development, the company will suffer losses as a result of the social and environmental problems it generates (Rizky Bunga Pertiwi, 2023).



Figure 1. Carbon Emissions Statistics 2024

As a form of commitment from manufacturing industry actors, the Indonesian government has encouraged the disclosure of ESG which is entitled in POJK 51/POJK.03/2017 about the Application of Sustainable Finance. Stakeholders such as investors, regulators, consumers and society have increasingly considered ESG as an important indicator of corporate responsibility and long-term sustainability (Husnah, 2023), because financial statements alone are not enough to assess company performance (Clarissa & Rasmini, 2020). Therefore, ESG disclosure has been established to assess a company's performance in a wider concept by how many items are disclosed (Oluwadara, 2023). Although ESG disclosure is a non-financial metrics, a high-quality of ESG disclosure pledges return in profit (Aydoğmuş et al., 2022).

In order to meet investor needs, the Indonesian government is currently implementing ESG policies for the next two to three years. This is done with the

creation of a sustainability committee under direct supervision of the government, and it is expected that listed companies in the Indonesia Stock Exchange will provide ESG reports on an annual basis (Safitri & Djumena, 2024). As the purpose of a company is to generate profits, disclosing a good ESG may attract investors for increasing productivity. Several companies are starting to focus on improving their ESG indicators, as it is seen to be more attractive for investors. According to research by Sitorus et al. (2024), he revealed that companies having high ESG scores lead to higher performance and profitability. However, the results of the study by Setiawati and Hidayat (2023) stated that the implementation of ESG does not reveal any significant effects on the company's financial operations. From the previous research, it is indicated that ESG disclosures give different effects depending on the circumstances.

Multiple studies also have underscored moderation by firm size in the intricate relationship linking financial performance and ESG disclosure. Such was revealed by D'Amato and Falivena (2020) association among CSR and firm value is strengthened by firm size. Furthermore, the study by Abdi et al. (2022) supports this by demonstrating that moderating influence of firm size is evident in correlation between sustainability disclosure and financial performance. However, a contradictory result was found in the study conducted by Revata and Sudirgo (2023), it is found that firm size fails to yield a noteworthy impact in moderating the correlation on financial performance.

Since the ESG disclosure becomes so important for company performance, many manufacturing companies have not disclosed ESG indices, even though they are the biggest contributor of carbon emissions in Indonesia. This can be seen from smaller sample size used by previous researchers due to data related to ESG disclosure not being presented in full (Nugroho & Hersugondo Hersugondo, 2022; Puspajaji & Hartono, 2021; Rahmithasari & Qadri, 2024). Due to the lack of ESG disclosure, the level of emissions that people are concerned about cannot be detected on a daily or annual basis. Meanwhile, the Indonesian government itself still places the net zero carbon emission target far away in 2060, 10 years longer than ASEAN countries neighboring such as Singapore and Malaysia.

Given the consideration above, few questions have arrived which are: does the ESG disclosure exerts a noteworthy and favorable impact on manufacturing companies' financial performance and does the size of a firm enhance the connection among ESG disclosure and financial performance in a favorable way in manufacturing companies. This research is done with the objective to examine the extent of the connection between ESG disclosure and financial performance, focusing primarily on public companies in the manufacturing sector on IDX between 2021 and 2023, and evaluate whether firm size moderates the correlation among ESG disclosure and financial performance in manufacturing companies.

LITERATURE REVIEW

The Importance of ESG disclosure for Manufacturing Company

Manufacturing businesses are under increasing pressure to operate sustainably and ethically. ESG issues are no longer optional extras, but rather

essential business imperatives. ESG disclosure has emerged as an important indicator for these companies to be able to communicate with stakeholders about their performance and impact in these key areas. Manufacturing companies with ESG practices may attract customers and strengthen relationships with society and governments by providing more sustainable and environmentally friendly products. Companies that adopt a strong ESG strategy are more likely to enter new markets easily. Align with stakeholder theory by Freeman and McVea (2000), defined as the capacity of a business to generate long-term wealth through its interactions with diverse stakeholders.

This theory describes the association between company and stakeholders. In the context of financial performance, this theory suggests that companies that proactively engage in responsible ESG practices are more likely to build stronger, trust-based relationships with stakeholders. Where, large companies tend to face greater scrutiny due to pressure from various stakeholders, thus requiring a robust sustainability reporting ESG disclosure. This leads to increased customer loyalty, employee satisfaction, and government support, which in turn can enhance operational efficiency, reduce risks, and improve financial outcomes.

ESG disclosure itself exists as an assessment of the viability of the firm and the impact of corporate ethics, which may affect a company's success achievement in the long run and reputation as well for the benefit of stakeholders. This theory mainly emphasizes how important it is to take into account how a corporation's actions may affect various interest groups and decisions. Research by Alsayegh et al., (2020) proved how companies improve economic sustainability performance by increasing awareness on ESG disclosure. Nie et al., (2023) further support this by finding that ESG exerts a favorable impact on financial performance, especially in the presence of investors with a preference for ESG considerations.

The Impact of ESG Disclosure on Manufacturing Companies' Performance

The association between ESG disclosure and financial performance has sparked widespread debate across various global platforms. The performance of manufacturing companies can be assessed by the efficiency of their operations and production, which influences stakeholder attraction in terms of investment and consumer engagement. Signaling theory perceives ESG disclosure as a way of conveying the dedication of a company to sustainability development (Suttipun, 2023). Manufacturers demonstrate their dedication to sustainability and ethical business practices by using ESG disclosure as a signal.

The company's signals are regarded as significant factors that impact the evaluation of external parties' investment decisions (Martha & Khomsiyah, 2023). Improved financial, operational, and stakeholder performance can be resulted from this signaling ability to draw in investors, boost reputation, and increase operational effectiveness. ESG disclosure as a signal reflects a company's commitment to long-term sustainability, risk management, and ethical governance. Voluntary and transparent ESG disclosure indicates sound corporate governance and ethical leadership traits that reduce the perceived risk among investors. This perceived lower risk can lead to increased investor

confidence and better access to funding, which in turn strengthens financial outcomes.

Companies that successfully communicate their ESG practices can create a positive impression on investors and other stakeholders. This result may enhance trust, a better reputation, and eventually, higher financial performance. According to Safriani and Utomo (2020), companies who voluntarily disclose their ESG gives a positive signal for stakeholders. The link between ESG practices and the signaling theory implies that investors will be more concerned with the long-term performance of business. Research done by Rahmaniati and Ekawati (2024) has shown that the adoption of ESG has a favorable effect on business values and the predictability of future financial performance.

ESG Disclosure and Financial Performance

ESG is a new metric that is usually included in sustainability reports, CSR reports, or integrated reporting in standalone annual reports. ESG disclosure encompasses the non-monetary indicators that assess an organization's efficacy concerning environmental, social, and governance matters (Al Amosh et al., 2023). Investors utilize these elements to evaluate the potential risks and rewards linked to a certain investment. ESG disclosure in this study combines each element, namely environmental issues, social concerns, and good governance, which is measured as one into a score valued from 0 to 100. Companies that do not provide ESG disclosure in their reports will receive a 0 rating.

Meanwhile, financial performance is a financial metric used to assess how well a business is performing in relation to its sustainability, profitability, and overall health (Sitorus et al., 2024). It covers all facets of a business's financial performance, such as its capability to turn a profit, control debt, and add value for investors. This is evident in the company's efforts, as revealed in disclosing ESG. Numerous researches have examined the connection of ESG disclosure and financial performance. A study of Yawika and Handayani (2019) revealed a slight correlation between high-profile industries in Indonesia's ESG performance and financial performance, implying investors may regard ESG disclosures as neutral until they provide solid evidence of which the company's financial performance is influenced. Moreover, the study of Putri and Puspawati (2023) explored the influence of leverage, firm size, and ESG disclosure on financial performance in Indonesia. Nevertheless, it does not go into detail on the precise findings about the impact of ESG disclosure. As well, Wang et al., (2022) present the case for ESG disclosure's beneficial influence on sustainable growth by combining signaling theory and stakeholder theory, with a stronger correlation found at higher disclosure levels.

The first hypothesis to be explored in this study is whether ESG exhibits a positive and meaningful influence towards financial performance. financial performance proxied with ROA and ROE, as well as better ESG performance, will result in greater financial performance (Jaya, 2020). The formulation of first hypothesis presented below:

H1: "ESG disclosure has a positive and significant impact on financial performance."

The Role of Firm Size in Manufacturing Company's Performance

Jaya (2020) defined the size of a firm, quantified by total assets, for assessing a company's scale. The company with bigger assets is defined as a large company which is considered to have an impact on its performance as well as investors' perceptions of the company (Wahyudi, 2022). Companies with high total assets manage large funds, so the larger the funds under management, the better the company can improve ESG indicators, the goal of which is to increase the firm's value. Firm size in this study used Ln ratio based on total assets (Prayogo et al., 2023).

Through previous study, it is proven that firm size shapes the association of CSR and value of firm (D'Amato & Falivena, 2020). This is in line with the growing sustainability report into ESG indicators which is proven to have an effect on financial performance in terms of firm value. Therefore, the company tends to disclose its ESG reporting for investors' needs. As well as, second hypothesis is formulated as follows:

H2: "Firm size has a positive and significant moderation on the relationship between ESG disclosure and financial performance."

The framework of this research can be formulated in the diagram below:

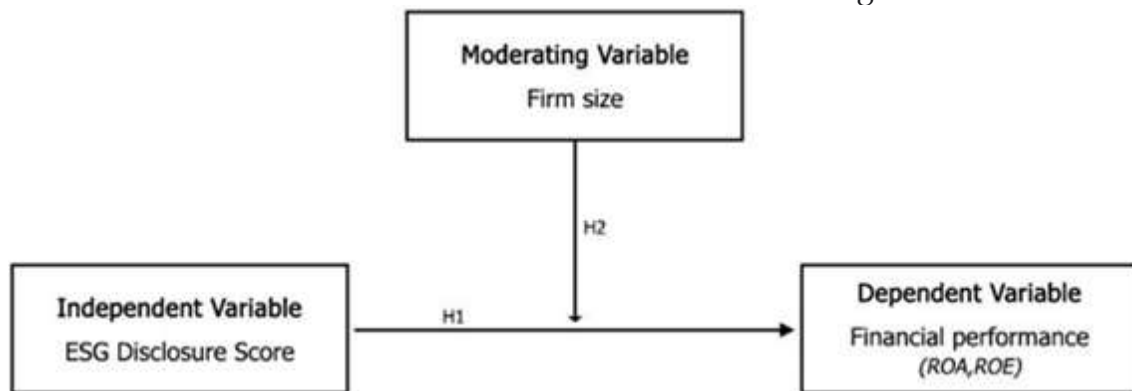


Figure 2. Conceptual Framework

METHODOLOGY

Secondary Data Collecting and Processing

This quantitative study examined the association of ESG disclosure and financial outcomes of manufacturing companies traded on the Indonesia Stock Exchange using the archival data technique. The ESG disclosure scores were extracted from a third-party ESG ratings database, namely Bloomberg Terminal. This tool provides standardized ESG metrics, used widely in both academic and business research (Velte, 2017). While, the financial performance sourced from annual reports which contain financial statements or financial highlights. The population of this study will be furtherly processed with a purposive sampling method to select that fit the criteria. First, manufacturers listed on the IDX during the time span of 2021- 2023 that have released their financial reports. Second, companies with ESG disclosure scores are indexed in the Bloomberg Terminal.

Tabel 1. Sample Criteria Selection

No	Criteria	Amount
1	Manufacturing industry companies listed on the Indonesia Stock Exchange for the period 2021 to 2023	179
2	Manufacturing industry companies which do not have ESG disclosure score indexed in Bloomberg Terminal	(135)
3	Total companies that are sample companies	44
4	Research period	3 years
5	Total research observations	132

Variable Measurement

Manufacturing companies’ financial performance which registered on the IDX during 2021 and 2023 as a dependent variable. The financial performance is proxied by ROA and ROE. Return on Assets (ROA) used in this study as the most common metrics of financial performance (Hussaini et al., 2021). The ROA ratio evaluates how well a company turns its total assets into profitable returns (Hasanah & Purnama, 2022). This ratio is used to assess management's performance in processing investments. The higher this ratio, the more effective a corporation can manage its assets to make profits. The formula for calculating ROA is as follows:

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Total Assets}}$$

While the Return on Equity (ROE) also measures the amount of return in relation to the investments made by shareholders (Lesmono et al., 2022). ROE is defined as the ratio of net income to shareholder’s equity. This ratio shows how well the company generates profits with the amount of equity issued (Widyakto et al., 2023). The formula for calculating ROE is as follows:

$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

ESG disclosure score as an independent variable used as a qualitative indicator employed to evaluate a company’s sustainability efforts. ESG disclosure score sourced from the Bloomberg Database assigns a number spanning from 0.1, (min.) representing no disclosure, to 100 (max), indicating full disclosure (Al Amosh et al., 2023). Function of moderation in this research is reflected by firm size, as companies with bigger assets tend to easily implement ESG practices.

$$\text{Firm size} = \text{Ln}(\text{total assets})$$

Hypothesis Testing

This study employs quantitative panel data analysis using E-Views 13 as the dataset for this study is structured as panel data, including cross-sectional and time series involving multiple objects and time. This technique was used to carry out the examination for testing the correlation between ESG disclosure, firm size, and financial performance which was proxied by ROA and ROE. The testing process consists of several sequential steps to ensure that the most suitable regression model is selected and the hypotheses are evaluated accurately including descriptive statistical analysis, model selection tests such as Chow, Hausman, and Lagrange Multiplier tests, as well as Moderated Regression Analysis testing. The following is the regression equation model:

$$ROA = a + \beta_1ESGD + \beta_2FIRM + \beta_3ESGD * FIRM + \epsilon \dots\dots\dots 1)$$

$$ROE = a + \beta_1ESGD + \beta_2FIRM + \beta_3ESGD * FIRM + \epsilon \dots\dots\dots 2)$$

Description:

ROA	: return on assets
ROE	: return on equity
α	: constant
β_1 to β_3	: regression coefficient
ESGD	: ESG disclosure score
FIRM	: firm size
ESGD*FIRM	: interaction between ESGD & FIRM ε : error component

RESEARCH RESULT

The descriptive analysis's findings include the mean (average), median, maximum, minimum, and standard deviation for ESG disclosure, return on equity, firm size, and return on assets, among other data gathered from all observations. The following is the outcome of the descriptive analysis that was conducted:

Table 2. Statistical Analysis Results Description

	ESG	ROA	ROE	FIRM
Mean	43,34424	5,212273	7,461212	30,31091
Median	43,69500	4,235000	7,795000	30,20500
Maximum	67,25000	33,04000	45,80000	32,86000
Minimum	16,45000	-20,32000	-81,75000	27,42000
Std. Dev.	11,45654	6,813459	13,98804	1,403588
Skewness	-0,180713	0,188667	-2,696175	-0,087447
Kurtosis	2,196527	6,562157	18,96002	2,214364
Jarque-Bera	4,269080	70,57239	1560,899	3,562965
Probability	0,118299	0,000000	0,000000	0,168388
Observations	132	132	132	132

The data gathered from the descriptive analysis for the variables of ESG disclosure, ROA, ROE, and firm size are shown in table 2 as follows:

1. For variable X or ESG disclosure, the mean is valued at 43,34 and the median value is 43,69. The highest value of 67,25 came from WTON in 2023, while the minimum value of 16,45 came from PSAB in 2021. Additionally, the standard deviation is valued at 11,45. It can be seen that from the overall, the highest ESG disclosure that manufacturing companies were able to achieve during 2021 to 2023 is 67,25 and the lowest is 16,45.
2. For variable Y1 or Return on Assets, the average value is 5,21% with median value of 4,23%. The highest ROA is 33,04%, found at OMED in 2021, and the lowest value of -20,32% found in KINO in 2022. It can be seen that the highest ROA of a manufacturing company is 33,04% and the lowest is -20,32%.
3. For variable Y2 or Return on Equity, it is obtained that the average ROE is 7,46% and median 7,79%. The highest ROE valued at 45,8%, from OMED in 2021. While, the lowest valued at -81,75%, from WIKA in 2023. The standard deviation value of ROE is 13,98. The highest ROE the manufacturing

company was able to achieve was at level of 45,8%, while the lowest at level of -81,75%.

4. For variable Z or Firm Size, the average valued at 30,31 with the median value of 30,2. The highest score of 32,86 sourced from INDF in 2023, while the lowest score of 27,42 contained in IGAR in 2021. Furthermore, the std. is 1.4.

Selection Model Test

The objective behind the selection model test is to figure out what are the models for the two regression modes. Selection model test that will be performed including Chow, Hausman, and Lagrange Multiplier (LM) test. These tests aim to compare models of the Common Effect Model, Random Effect Model, and Fixed Effect Model, especially when dealing with panel data.

Chow Test

The Chow test is used to decide whether the CEM or the FEM fits data better. Below are the findings from the test:

Table 3. Chow Test for Model ROA

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.479337	(43,85)	0.0000
Cross-section Chi-square	156.231430	43	0.0000

Table 4. Chow Test for Model ROE

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.5464958	(43,85)	0.0001
Cross-section Chi-square	109.804927	43	0.0000

In reference to the Chow test in Tables 3 and 4, the Cross-section Chi-Square gave a probability of 0.0000 for both models, which is less than 0.05. According to the rules for the Chow test, this suggests that the FEM is the optimal choice for both cases.

Hausman Test

After the FEM is chosen, the next step is to run the Hausman test. This test helps decide whether to stick with the FEM or switch to the REM. Results from the test are outlined follows:

Table 5. Hausman Test for Model ROA

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.132049	3	0.7693

Table 6. Hausman Test for Model ROE

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.309591	3	0.7269

From Tables 5 and 6, the probability values for the cross-section random effects are 0.7693 and 0.7629 for the two models, both higher than 0.05. Based on the Hausman test guidelines, this means the REM is preferred.

Lagrange Multiplier Test

Following selection of the REM, the LM test is done to check if REM is still better than CEM. The LM test results are shown below:

Table 7. Lagrange Multiplier Test for Model ROA

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	37.63373 (0.0000)	0.561894 (0.4535)	38.57744 (0.0000)

Tabel 8. Lagrange Multiplier Test for Model ROE

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	14.97228 (0.0001)	0.074082 (0.7855)	14.97048 (0.0001)

Tables 7 and 8 show the Breusch-Pagan values as 0.0000 and 0.0001, both below 0.05. This confirms that the REM is the best choice according to the LM test. As the REM is the most suitable for both regression model ROA and ROE. Therefore, the classical assumption test is not required to be done as REM uses Generalized Least Square which assumes that there are random differences between individual units or across time periods (Kosmaryati et al., 2019).

Moderated Regression Analysis

The result of moderated regression analysis can be seen below:

Table 9. Regression Analysis for Model ROA

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	36.06844	86.01522	0.419326	0.6757
ESGD	-0.220023	1.939739	-0.113429	0.9099
FIRM	-1.031410	2.853952	-0.361397	0.7184
ESGD_FIRM	0.007529	0.063790	0.118023	0.9062

Tabel 10. Regression Analysis for Model ROE

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	61.38369	173.7102	0.353368	0.7244
ESGD	-1.224564	3.946223	-0.310313	0.7568
FIRM	-1.686553	5.761580	-0.292724	0.7702
ESGD_FIRM	0.038067	0.129755	0.293373	0.7697

As shown from the regression results in Tables 9 and 10, the ROA model reveals that the value of t-statistic for ESG disclosure (ESGD) is -0.03, the probability valued at 0.909, implying that is higher than 0.05. This indicates that ESG disclosure negatively and insignificantly influences ROA. Similarly, in the

ROE model, the t-statistic for ESGD is -0.31 with a probability of 0.76, also above 0.05, indicating no significant impact on ROE. Additionally, the relationship between ESGD_FIRM has t-statistics of 0.118 for ROA and 0.293 for ROE, and the probability valued at 0.906 and 0.769, respectively. This result suggests that connection among ESG disclosure and financial performance measured by ROA or ROE is unable to be moderated by firm size in manufacturing company context.

DISCUSSION

From the statistical analysis result, it is found that ESG disclosure does not positively or significantly affect financial performance, leading to the rejection of H1. This is consistent with Nurdiati et al. (2023), Kadek Diah Krisna Dewanti and Gede Putu Agus Jana Susila (2024), and Ardiansyah & Hersugondo (2024) inquiry, which showed that ROA and ROE are not positively impacted by ESG disclosure. The reason for this lies in the fact that companies with high ROA and ROE values do not always have high ESG disclosure scores. For example, PT Jayamas Medica Industri Tbk in 2021 with the highest ROA and ROE value, namely 33,04% and 45,80% respectively, only has an ESG disclosure score of 36,64. This is in contrast to PT Wijaya Karya Beton Tbk, which has the highest ESG disclosure score in 2023 with an ROA and ROE of only 0.26% and 0,55%. This is because ESG practices are treated as a compliance requirement, rather than a strategic effort to improve operations or reputation.

Furthermore, the moderation regression analysis results indicate that firm size is also unable to influence the correlation among ESG disclosure and financial performance. No positive or significant impact of firm size was found in either the ROA or ROE models regarding the connection ESG disclosure and financial performance. Therefore, H2 is not supported. This outcome aligns with previous inquiry (Aurora L et al., 2021; Junardi, 2019; Wulandari & Istiqomah, 2024), which explain that a larger company size does not necessarily lead to more extensive ESG disclosure. This is because ESG disclosures made by the manufacturing industry have not been carried out optimally, because manufacturers only see ESG disclosure as a necessity for reporting purposes (Karundeng et al., 2017).

The outcomes of this study contradict the stakeholder theory due to the stakeholders that may not perceive the ESG practices as a meaningful indicator. Stakeholders' attention is regarded as a low influence in the manufacturing context in Indonesia, even a good ESG performance is not financially rewarded as the government only focuses on encouraging mandatory ESG reporting without incentivizing or compensating for the amount of ESG disclosed. Furthermore, contrary to signaling theory, as the company grows in size making ESG disclosures, the more positive signals can be provided to show the company's sustainability, attracting investors. However, most manufacturers are unable to allocate the assets used for ESG disclosure, which are simultaneously employed for investment activities, business expansion, debt repayment, and the purchase or maintenance of fixed assets in their operations (Wulandari & Istiqomah, 2024).

CONCLUSIONS AND RECOMMENDATIONS

After analyzing the effect of ESG disclosure on financial performance, as reflected by return on assets and return on equity in manufacturing companies listed on the Indonesia Stock Exchange (IDX), the conclusion is that financial performance is not substantially impacted by ESG disclosure. Additionally, firm size does not play any meaningful role in strengthening or weakening this relationship, which means that whether the company has either big or small assets, does not mean it would influence the numerous information disclosed about ESG. This implies that, in Indonesian manufacturing firms, ESG disclosure still hasn't made any significant impact on financial outcomes.

The reason is that companies view ESG disclosure reporting primarily as a way to comply with government regulations, rather than as a strategic business practice (Setiawati & Hidayat, 2023). In addition, in the manufacturing context, the bigger the company does not always imply a better ESG disclosure, as they tend to allocate the assets for main operational and debt repayment (Wulandari & Istiqomah, 2024). Another factor is due to the lack of government involvement, especially in encouraging manufacturers to engage in ESG practices by providing incentives or rewards for consistent ESG disclosure from year to year

ADVANCED RESEARCH

The results of this study are only limited to the manufacturing sectors, which can be predicted that different sectors might have different results. Besides, not many manufacturing companies disclose their ESG disclosure voluntarily, which causes the ESG information cannot be found consistently each year for every company. However, the disclosure of ESG is very important to determine the ESG disclosure score, that is why it is very difficult to find a good ESG disclosure score for manufacturing companies in Indonesia. Additionally, the overall acceptance and implementation of ESG practices in Indonesia remain relatively low. Many companies have not yet adopted the comprehensive ESG measures, which further limits the availability and reliability of data for analysis.

Given these limitations, it is advisable for future research to extend the study period to a minimum of five years. Extending the timeframe would likely provide a more thorough and comprehensive perspective on how ESG practices affect financial outcomes over an extended period. Moreover, this study concentrates exclusively on financial performance, using ROE and ROA as proxies, and only considers firm size as a moderating variable. To acquire a more and gain a deeper comprehensive understanding of dynamics among ESG disclosure and financial performance, future investigations must also include relevant non-financial metrics for manufacturing companies, such as quality cost reports and environmental cost reports.

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