ABSTRACT

This study aims to provide empirical evidence on the impact of Environmental, Social, and Governance (ESG) disclosures on corporate financial performance, measured by Return on Assets (ROA). It also examines the moderating role of green innovation represented by green process innovation and green product innovation on the relationship between ESG disclosures and financial performance. The research focuses on manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2020–2023. Using stakeholder theory and legitimacy theory, the study explores how ESG practices and green innovation help companies gain stakeholder support.

A quantitative approach was employed, with a sample of 200 companies selected through purposive sampling. Secondary data was sourced from Bloomberg and financial reports for 2020–2023. Data analysis involved multiple linear regression using SPSS version 29, including descriptive statistics, classical assumption tests (normality, multicollinearity, autocorrelation, heteroscedasticity), and hypothesis testing (partial t-test, simultaneous F-test, and determination coefficient R^2*). Moderating Regression Analysis (MRA) was used for testing moderation effects.*

The results reveal that ESG disclosures positively influence financial performance. However, the moderating effect of green innovation varies by model: in Model 3, both green process and product innovations strengthen the positive impact of ESG on financial performance, whereas in Model 4, they show no significant effect.

Keyword : Environmental, Social, and Governance Disclosure, Financial Performence, Return On Assets, Green Innovation, Green Process Innovation, Green Product Innovation, Stakeholder Theory, Legitimacy Theory