

ABSTRACT

This study aims to analyze the effect of green innovation on corporate financial performance, the impact of ESG disclosure on financial performance, and the role of ESG disclosure in moderating the relationship between green innovation and financial performance. The dependent variable in this study is corporate financial performance, proxied by Return on Assets (ROA). The independent variables are green innovation, measured by the PROPER rating score, and ESG disclosure practices, assessed using the ESG disclosure score from the Bloomberg database, which also serves as the moderating variable. Control variables include firm size, current ratio, and leverage.

This research utilizes secondary data obtained from sustainability reports, annual reports, financial statements listed on the Indonesia Stock Exchange (IDX), PROPER assessment reports, and the Bloomberg database. The sample consists of 93 observations from non-financial companies listed on the IDX during the period 2019–2023. The analysis method employed is Moderated Regression Analysis (MRA) using a Fixed Effect model. Data processing was conducted using Microsoft Excel and STATA 17.

The findings indicate that green innovation has a significant positive effect on corporate financial performance. Furthermore, overall ESG disclosure and its sub-components—environmental and social disclosures—have a significant negative effect on financial performance, whereas governance disclosure has a significant positive effect. ESG disclosure and social disclosure, as moderating variables, demonstrate a role in weakening the positive relationship between green innovation and corporate performance. However, other ESG sub-components, namely environmental and governance disclosures, do not moderate this relationship.

Keywords: Green Innovation, ESG Disclosure, Return on Assets (ROA)